IIBF & NISM Adda

Certificate Examination in

MSME

(For July 2018 – IIBF & Other Exams)

Compiled by

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About Certificate Examination in MSME IIBF Certificate Examination

Certificate Course on MSME
Rules & Syllabus 2018
OBJECTIVE
Considering the growing importance of MSME finance in the Banking Industry, this course is intended to equip practicing banking and finance professionals to have in depth knowledge in the field of MSME finance.
ELIGIBILITY
1. Members and Non-Members of the Institute
2. Candidates must have passed the 12th standard examination in any discipline or its equivalent.

SUBJECT OF EXAMINATION
Small and Medium enterprises in India
PASSING CRITERIA:
Minimum marks for pass in the subject is 50 out of 100.
The candidates who complete the MSME examination will be eligible to be certified as Certified Credit Counselors (CCC). Such of those candidates who are recommended by SIDBI will be issued a joint certificate by IIBF and SIDBI.

EXAMINATION FEES* : Particulars	**For Members**	**For Non-Members**
First attempt	Rs.1,000/- *	Rs.1,500/- *
Subsequent each attempt	Rs.1,000/- *	Rs.1,500/- *

PROOF OF IDENTITY
Non-members applying for Institute's examinations / courses are required to attach / submit a copy of any one of the following documents containing Name, Photo and Signature at the time of registration of Examination Application. Application without the same shall be liable to be rejected.
1) Photo I / Card issued by Employer or 2) PAN Card or 3) Driving Licencse or 4) Election Voter's I / Card or 5) Passport 6) Aadhaar Card

STUDY MATERIAL / COURSEWARE
The Institute has developed a courseware to cover the syllabus. The courseware (book) for the subject/s will be available at outlets of publisher/s. Please visit IIBF website www.iibf.org.in under the menu "Exam Related" for details of book/s and address of publisher/s outlets. Candidates are advised to make full use of the courseware. However, as banking and finance fields are dynamic, rules and regulations witness rapid changes. Therefore, the courseware should not be considered as the only source of information while preparing for the examinations. Candidates are advised to go through the updates put on the IIBF website from time to time and go through Master Circulars / Master Directions issued by RBI and publications of IIBF like IIBF Vision, Bank Quest, etc. All these sources are important from the examination point of view. Candidates are also to visit the websites of organizations like RBI, SEBI, BIS, IRDAI, FEDAI etc. besides going through other books & publications covering the subject / exam concerned etc. Questions based on current developments relating to the subject / exam may also be asked.
Cut-off Date of Guidelines / Important Developments for Examinations
The Institute has a practice of asking questions in each exam about the recent developments / guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments / guidelines from the date the question papers are prepared and the dates of the actual examinations.
In order to address these issues effectively, it has been decided that:
(i) In respect of the examinations to be conducted by the Institute for the period February to July of a calendar year, instructions / guidelines issued by the regulator(s) and

important developments in banking and finance up to 31st December will only be considered for the purpose of inclusion in the question papers".

(ii) In respect of the examinations to be conducted by the Institute for the period August to January of a calendar year, instructions / guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June will only be considered for the purpose of inclusion in the question papers.

The table given below further clarifies the situation. **Particulars Developments for Examination/s**	**Cut-off Date of Guidelines / Important Developments for Examination/s**
For the examinations to be conducted by the Institute for the period February 2018 to July 2018	31st December 2017
For the examinations to be conducted by the Institute for the period August 2018 to	30th June 2018

Syllabus

I. Setting up MSME

Evolution, Definition of SMEs, Characteristics, Advantage of MSME & Its role & Significance in economic development, Role in Economic Development., Needs of SMEs. Forms of Organisations; Proprietary, Partnership, HUFs, LLP, Company etc., Establishing SMEs: Environmental Scanning, Market Assessment, Technology, Selection of Site, etc., - Organisational Structures – Rules &Regulations - Gender & Entrepreneurial Development.

II. MSMEs: Policy, Regulatory and Legal Framework

Policy Framework for SMEs - Policy Shifts since 1991 – Regulatory Framework - Laws and Regulations for SMEs - SME Development Bill, 2005 – LLP Act, Changing Policy Framework & SME Strategies, Registration of SME Unit – Procedure, CIBIL, CERSAI, D & B report, MIRA report.

III. Institutional Framework & MSME Financing

Institutions - Central Government - SSI Board, SIDO, SISI, PPDCs, RTCs, CFTI, NISIET, NIESBUD, NSIC - State Government: Directorate of Industries, DICs, SFCs, SIDC / SIIC, SSIDC - Financial Institutions & Banks; SIDBI, Commercial Banks, RRBs and Co-op. Banks etc., - Enterprise Perspective - Banker's Perspective.

IV. Financing Options & Modes

Sources of finance and methods of financing SMEs, relevance of quasi capital and own money in business - Venture Capital, Hybrid Capital, special financial products for SMEs, Assessment of Term Finance / Working Capital for SMEs - Credit Risk Management of SMEs - Appraisal, assessment, collaterals, documentation, inspection, follow-up and monitoring and review, Credit Scoring models, Standing and liquidity assessment, Credit pricing of SMEs, Micro Enterprise finance, P.S. guidelines related to MSME, Mudra Bank, Factoring, Structure Approach to financing SME

a. Daheja Committee
b. Chore Committee
c. Tandon Committee
d. Nayak Committee
e. Kapoor Committee

V. MSME Development

Business Development Service Providers - Role & Responsibilities -Improving Competitiveness of SMEs through Enhancing Productivity - Market Promotion and Development - technological Development in SMEs -Environmental Impact Assessment, Modernisation issues (technological and quality up gradation), Role and Functions of Credit Guarantee Trust for small industries (CGTSI), CGTMSE, PMEGP, TUFS, NEF

.

VI. Clusters and Cluster Development

What are Clusters? - Why Clusters - Types of Clusters - Advantages and Disadvantages - Role of Clusters - Setting up of Clusters - Approaches to Develop Cluster Strategies - Measuring Cluster Development – Critical Success Factors (lending economics to clusters from the angle of bankers and borrowers) - Policy Environment - Successful Clusters; India and Global.

VII. MSME: Rehabilitation

Sickness-symptoms, warning signals, diagnosis and prescriptions, rehabilitation, restructuring, holding on operations, work out, NPA management, recovery options, legal aspects / options, securitization and exit options / alternatives.

VIII.Future of MSMEs -

Micro Finance Approach to SMEs - Linkages with Agriculture and industry - IT and SMEs - Relationship banking and its impact in SME development - WTO issues, impact on SMEs - BASEL-II – globalization issues, impact, intermediation opportunities and Emerging issues affecting SMEs. Challenges & opportunities of MSME under current scenario.

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Role of the Ministry of Micro, Small & Medium Enterprises

Worldwide, micro, small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports.

In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. MSMEs in India account for more than 80% of the total number of industrial enterprises and produce over 8000 value-added products. It is estimated that in terms of value, the sector accounts for 45% of the manufacturing output and 40% of the total export of the country and employs over 6 crore people.

Further, in recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated 6 crore persons spread over 2.6 crore enterprises and the labour intensity in the MSME sector is estimated to be almost 4 times higher than the large enterprises.

Problems of MSMEs

Despite constituting more than 80 % of the total number of industrial enterprises and supporting industrial development, many MSMEs in India have problems such as sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario.

Focus of the Government

The Government is planning to increase financial assistance for micro, small and medium enterprises (MSMEs) to 80 per cent of their capital requirements in the 11th Five Year Plan. This aid will go towards technology upgradation and plugging of financial gaps. It will be available for existing MSME clusters.

Focus of Banks

Of late, several banks have focused on the MSMEs; in fact, some of them have launched specific funds to meet the capital requirements of MSMEs.

Rating of MSMEs

In spite of the increasing avenues of funding for MSMEs, credit penetration in this sector is still low. The primary reasons for this are insufficient credit information on MSMEs, low market creditability of SMEs and constraints in analysis. To tackle this problem, the SME Rating Agency of India (SMERA) was launched in 2005 by SIDBI in association with Dun & Bradstreet (D&B), Credit Information Bureau (India) Ltd and leading public and private sector banks.

Cluster Initiative

The concept of cluster development offers new insights into the potential role of MSMEs. It is estimated that there are about 400 MSME clusters in the country. A cluster may be defined as a local agglomeration of enterprises (mainly MSMEs) which produce and sell a range of related and complementary products and services. An example can be a localized leather industry, including leather tanning units, leather finishing units, leather goods producers, leather garment manufacturers, designers, sub-contractors, merchant buyers and exporters.

MSMEs-Success Story

In spite of the problems, the MSME sector has grown by leaps and bounds and has caught the fancy of corporate India. In fact, MSMEs fared better than most large organizations between 2001 and 2006. For example, the net profit of companies with a turnover of Rs. 50 crore–Rs. 100 crore appreciated by over 700 % in that period, compared to an increase of over 150 % in the net profit of large corporations. During the same period, MSMEs also outperformed large corporations in net sales and operating profits

Micro, Small & Medium Enterprises Development (MSMED) Act, 2006

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. With the enactment of MSMED Act 2006, the paradigm shift that has taken place is the inclusion of the services sector in the definition of Micro, Small & Medium enterprises, apart from extending the scope to medium enterprises. The MSMED Act, 2006 has modified the definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services. The Reserve Bank has notified the changes to all scheduled commercial banks.

1.1 Definition of Micro, Small and Medium Enterprises

(a) Manufacturing Enterprises i.e. Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

(i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;

(ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and

(iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries

(b) Service Enterprises i.e. Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) are specified below.

(i) A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;

(ii) A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and

(iii) A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

1.2 Bank Loans to Micro and Small enterprises, both Manufacturing and Service are eligible to be classified under Priority Sector advance as per the following:

1.2.1 Direct Finance

1.2.1.1 Manufacturing Enterprises

The Micro and Small enterprises engaged in the manufacture or production of goods to any industry specified in the first schedule to the Industries (Development and regulation) Act, 1951 and notified by the Government from time to time. The manufacturing enterprises are defined in terms of investment in plant and machinery.

1.2.1.2. Loans for food and agro processing

Loans for food and agro processing will be classified under Micro and Small Enterprises, provided the units satisfy investments criteria prescribed for Micro and Small Enterprises, as provided in MSMED Act, 2006.

1.2.1.3 Service Enterprises

Bank loans up to Rs.5 crore per borrower / unit to Micro and Small Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006.

1.2.1.4 Export Credit

Export credit to MSE units (both manufacturing and services) for export of goods/services produced / rendered by them.

1.2.1.5 Khadi and Village Industries Sector (KVI)

All loans sanctioned to units in the KVI sector, irrespective of their size of operations and location and amount of original investment in plant and machinery. Such loans will be eligible for classification under the sub-target of 60 percent prescribed for micro enterprises within the micro and small enterprises segment under priority sector.

1.2.1.6. If the loans under General credit Card (GCC) are sanctioned to Micro and Small Enterprises, such loans should be classified under respective categories of Micro and Small Enterprises.

1.2.2 Indirect Finance

(i) Loans to persons involved in assisting the decentralised sector in the supply of inputs to
and marketing of outputs of artisans, village and cottage industries.

(ii) Loans to cooperatives of producers in the decentralised sector viz. artisans village and cottage industries.

(iii) Loans sanctioned by banks to MFIs for on-lending to MSE sector as per the conditions
specified in extant Master Circular on Priority Sector Lending.

1.3 Lending by banks to medium enterprises will **not** be included for the purpose of reckoning of advances under the priority sector.

1.4 Since the MSMED Act, 2006 does not provide for clubbing of investments of different enterprises set up by same person / company for the purpose of classification as Micro, Small and Medium enterprises, the Gazette Notification No. S.O.2 (E) dated January 1, 1993 on clubbing of investments of two or more enterprises under the same ownership for the purpose of classification of industrial undertakings as SSI has been rescinded vide GOI Notification No. S.O. 563 (E) dated February 27, 2009.

SECTION - II

2 Scheme of Small Enterprises Financial Centres (SEFCs):

As per announcement made by the Governor in the Annual Policy Statement 2005-06, a scheme for strategic alliance between branches of banks and SIDBI located in clusters, named as "Small Enterprises Financial Centres" has been formulated in consultation with the Ministry of SSI and Banking Division, Ministry of Finance, Government of India, SIDBI, IBA and select banks and circulated to all scheduled commercial banks on May 20, 2005 for implementation. SIDBI has so far executed MoU with 15 banks (Bank of India, UCO Bank, YES Bank, Bank of Baroda, Oriental Bank of Commerce, Punjab National Bank, Dena Bank, Andhra Bank, Indian Bank, Corporation Bank, IDBI Bank, Indian Overseas Bank, Union Bank of India, State Bank of India and Federal Bank). List of MSME clusters covered by existing SIDBI branches is furnished in Annex II.

SECTION - III

3 Targets for lending to Micro and Small enterprises (MSE) sector by Domestic Commercial Banks and Foreign Banks operating in India

3.1 Advances to micro and small enterprises (MSE) sector shall be reckoned in computing achievement under the overall Priority Sector target of 40 percent (32 percent for Foreign Banks operating in India with less than 20 branches) of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

3.2 Bank loans above Rs.5 crore per borrower / unit to Micro and Small Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006, shall **not** be reckoned in computing achievement under the overall above Priority Sector targets. However, such loans would be taken into account while assessing the performance of the banks with regard to their achievement of targets prescribed by the Prime Minister's Task Force on MSMEs for lending to MSE sector.

3.3 In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks are advised to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises and a 10 per cent annual growth in the number of micro enterprise accounts.

3.4 In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, banks should ensure that:

(a) 40 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs. 10 lakh and micro (service) enterprises having investment in equipment up to Rs. 4 lakh;

(b) 20 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs. 10 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 4 lakh and up to Rs. 10 lakh. **Thus, 60 per cent of MSE advances should go to the micro enterprises.**

(c) While banks are advised to achieve the 60% target as above, in terms of the recommendations of the Prime Minister's Task Force, the allocation of 60% of the MSE advances to the micro enterprises is to be achieved in stages viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13.

3.5 The target for lending to Micro Enterprises within the MSE sector (i.e. 60% of total lending to MSE sector should go to Micro enterprises) will be computed with reference to the outstanding credit to MSE sector as on preceding March 31st.

SECTION - IV

4 Common Guidelines / Instructions for Lending to MSME Sector

4.1 Issue of Acknowledgement of Loan Applications to MSME borrowers

Banks have been advised to mandatorily acknowledge all loan applications, submitted manually or online, by their MSME borrowers and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt. Banks are further encouraged to start Central Registration of loan applications. The same technology may be used for online submission of loan applications as also for online tracking of loan applications.

4.2 Collateral

Banks are mandated not to accept collateral security in the case of loans upto Rs.10 lakh extended to units in the MSE sector. Banks are also advised to extend collateral-free loans upto Rs. 10 lakh to all units financed under the Prime Minister Employment Generation Programme of KVIC. Banks may, on the basis of good track record and financial position of the MSE units, increase the limit of dispensation of collateral requirement for loans up to Rs.25 lakh (with the approval of the appropriate authority).Banks are advised to strongly encourage their branch level functionaries to avail of the Credit Guarantee Scheme cover, including making performance in this regard a criterion in the evaluation of their field staff.

4.3 Composite loan

A composite loan limit of Rs.1 crore can be sanctioned by banks to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window.

4.4 Specialised MSME branches

Public sector banks have been advised to open at least one specialised branch in each district. Further, banks have been permitted to categorise their MSME general banking branches having 60% or more of their advances to MSME sector in order to encourage them to open more specialised MSME branches for providing better service to this sector as a whole. As per the policy package announced by the Government of India for stepping up credit to MSME sector, the public sector banks will ensure specialized MSME branches in identified clusters/centres with preponderance of small enterprises to enable the entrepreneurs to have easy access to the bank credit and to equip bank personnel to develop requisite expertise. The existing specialised SSI branches may also be redesignated as MSME branches. Though their core
competence will be utilized for extending finance and other services to MSME sector, they will have operational flexibility to extend finance/render other services to other sectors/borrowers.

4.5 Delayed Payment

Under the Amendment Act, 1998 of Interest on Delayed Payment to Small Scale and Ancillary Industrial Undertakings, penal provisions have been incorporated to take care of delayed payments to MSME units. After the enactment of the Micro, Small and Medium Enterprises Development (MSMED), Act 2006, the existing provisions of the Interest on Delayed Payment Act, 1998 to Small Scale and Ancillary Industrial Undertakings, have been strengthened as under:

(i) The buyer has to make payment to the supplier on or before the date agreed upon between him and the supplier in writing or, in case of no agreement, before the appointed day. The period agreed upon between the supplier and the buyer shall not exceed forty five days from the date of acceptance or the day of deemed acceptance.

(ii) In case the buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank.

(iii) For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the interest as advised at (ii) above.

(iv) In case of dispute with regard to any amount due, a reference shall be made to the Micro and Small Enterprises Facilitation Council, constituted by the respective State Government. Further, banks have been advised to fix sub-limits within the overall working capital limits to the large borrowers specifically for meeting the payment obligation in respect of purchases from MSMEs.

4.6 Revised Guidelines for Rehabilitation of Sick Micro and Small Enterprises

In view of the recommendations of Working Group on rehabilitation of potentially viable sick units (Chairman: Dr. K. C. Chakrabarty), regarding changing the definition of sickness and the procedure for assessing the viability of sick MSE units, a Committee was set up by the Ministry of MSME to look into the issue. Based on the recommendation of the Committee, The objective of the revised guidelines is to hasten the process of identification of a unit as sick, early detection of incipient sickness, and to lay down a procedure to be adopted by banks before declaring a unit as unviable. As per the new guidelines, a Micro or Small Enterprise (as defined in the MSMED Act 2006) may be said to have become Sick, if (a) any of the borrowal account of the enterprise remains NPA for three months or more OR (b) there is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year. The revised guidelines also provide the procedures to be adopted by the banks before declaring any unit as unviable. Banks have been advised that the decision on viability of the unit should be taken at the earliest but not later than 3 months of becoming sick under any circumstances and the rehabilitation package should be fully implemented within six months from the date the unit is declared as 'potentially viable' / 'viable'.

4.7 Micro and Small Enterprises Sector – The imperative of Financial Literacy and consultancy support

Keeping in view the high extent of financial exclusion (92 per cent) in the MSME sector, it is imperative for banks that the excluded units are brought within the fold of the formal

banking sector. The lack of financial literacy, operational skills, including accounting and finance, business planning etc. represent formidable challenge for MSE borrowers underscoring the need for facilitation by banks in these critical financial areas. Moreover, MSE enterprises are further handicapped in this regard by absence of scale and size.
the banks could either separately set up special cells at their branches, or vertically integrate this function in the Financial Literacy Centres (FLCs) set up by them, as per their comparative advantage. The bank staff should also be trained through customised training programs to meet the specific needs of the sector.

4.8 Structured Mechanism for monitoring the credit growth to the MSE sector
In view of the concerns emerging from the deceleration in credit growth to the MSE sector, an Indian Banking Association (IBA)-led Sub-Committee (Chairman: Shri K.R. Kamath) was set up to suggest a structured mechanism to be put in place by banks to monitor the entire gamut of credit related issues pertaining to the sector. Based on the recommendations of the Committee, banks have been advised to:
· strengthen their existing systems of monitoring credit growth to the sector and put in place a system-driven comprehensive performance management information system (MIS) at every supervisory level (branch, region, zone, head office) which should be critically evaluated on a regular basis; put in place a system of e-tracking of MSE loan applications and monitor the loan application disposal process in banks, giving branch-wise, region-wise, zone-wise and State-wise positions. The position in this regard is to be displayed by banks on their websites; and · monitor timely rehabilitation of sick MSE units. The progress in rehabilitation of sick MSE units is to be made available on the website of banks.
4.9 Revised General Credit Card (GCC) Scheme
In order to enhance the coverage of GCC Scheme to ensure greater credit linkage for all productive activities within the overall Priority Sector guidelines and to capture all credit extended by banks to individuals for non-farm entrepreneurial activity, the GCC guidelines have been revised on December 2, 2013.
4.10 State Level Inter Institutional Committee
In order to deal with the problems of co-ordination for rehabilitation of sick micro and small units, State Level Inter-Institutional Committees (SLIICs) were set up in the States. However, the matter of continuation or otherwise, of the SLIIC Forum has been left to the individual States / Union Territory. The meetings of these Committees are convened by Regional Offices of RBI and presided over by the Secretary, Industry of the concerned State Government. It provides a useful forum for adequate interfacing between the State Government Officials and State Level Institutions on the one side and the term lending institutions and banks on the other. It closely monitors timely sanction of working capital to units which have been provided term loans by SFCs, implementation of special schemes such as Margin Money Scheme of State Government and reviews general problems faced by industries and sickness in MSE sector based on the data furnished by banks. Among others, the representatives of the local state level MSE associations are invited to the meetings of SLIIC which are held quarterly. A sub-committee of SLIIC looks into the problems of individual sick MSE unit and submits its recommendations to the forum of SLIIC for consideration.
4.11 Empowered Committee on MSMEs
As part of the announcement made by the Union Finance Minister, at the Regional Offices of Reserve Bank of India, Empowered Committees on MSMEs have been constituted under the Chairmanship of the Regional Directors with the representatives of SLBC Convenor, senior level officers from two banks having predominant share in MSME financing in the state, representative of SIDBI Regional Office, the Director of Industries of the State Government, one or two senior level representatives from the MSME/SSI Associations in the state, and a senior level officer from SFC/SIDC as members. The Committee will meet periodically and review the progress in MSME financing as also rehabilitation of sick Micro, Small and Medium units. It will also coordinate with other banks/financial institutions and the state government in removing bottlenecks, if any, to

ensure smooth flow of credit to the sector. The committees may decide the need to have similar committees at cluster/district levels.

4.12 Debt Restructuring Mechanism for MSMEs

(i) As part of announcement made by the Hon'ble Finance Minister for stepping up credit to small and medium enterprises, a debt restructuring mechanism for units in MSME sector has been formulated by Department of Banking Operations & Development of Reserve Bank of India and advised all commercial banks

These detailed guidelines have been issued to ensure restructuring of debt of all eligible small and medium enterprises. These guidelines would be applicable to the following entities, which are viable or potentially viable:

(a) All non-corporate MSMEs irrespective of the level of dues to banks.

(b) All corporate MSMEs, which are enjoying banking facilities from a single bank, irrespective of the level of dues to the bank.

(c) All corporate MSMEs, which have funded and non-funded outstanding up to Rs.10 crore under multiple/ consortium banking arrangement.

(d) Accounts involving willful default, fraud and malfeasance will **not** be eligible for restructuring under these guidelines.

(e) Accounts classified by banks as "Loss Assets" will **not** be eligible for restructuring.

For all corporate including MSMEs, which have funded and non-funded outstanding of Rs.10 crore and above, Department of Banking Operations & Development has issued separate guidelines on Corporate Debt Restructuring Mechanism DBOD Mail Box clarification dated June 6, 2013.

(ii) In the light of the recommendations of the Working Group on Rehabilitation of Sick MSEs (Chairman: Dr. K.C. Chakrabarty), all commercial banks were advised to:

(a) put in place loan policies governing extension of credit facilities, Restructuring/Rehabilitation policy for revival of potentially viable sick units/enterprises and non- discretionary One Time Settlement scheme for recovery of non-performing loans for the MSE sector, with the approval of the Board of Directors and

(b) implement recommendations with regard to timely and adequate flow of credit to the MSE sector.

(iii) Banks have been advised to give wide publicity to the One Time settlement scheme implemented by them, by placing it on the bank's website and through other possible modes of dissemination. They may allow reasonable time to the borrowers to submit the application and also make payment of the dues in order to extend the benefits of the scheme to eligible borrowers.

4.13 Cluster Approach

(i) 60 clusters have been identified by the Ministry of Micro, Small and Medium Enterprises, Government of India for focused development of Small Enterprises sector. All SLBC Convenor banks have been advised to incorporate in their Annual Credit Plans, the credit requirement in the clusters identified by the Ministry of Micro, Small and Medium Enterprises, Government of India.

As per Ganguly Committee recommendations banks have been advised that a full-service approach to cater to the diverse needs of the MSE sector may be achieved through extending banking services to recognized MSE clusters by adopting a 4-C approach namely, Customer focus, Cost control, Cross sell and Contain risk. A cluster based approach to lending may be more beneficial:

(a) in dealing with well-defined and recognized groups;

(b) availability of appropriate information for risk assessment and

(c) monitoring by the lending institutions. Clusters may be identified based on factors such as trade record, competitiveness and growth prospects and/or other cluster specific data.

(ii) As per announcement made by the Governor in paragraph 157 of the Annual Policy Statement 2007-08, all SLBC Convenor banks have been advised vide letter RPCD.PLNFS.No. 10416/06.02.31/ 2006-07 dated May 8, 2007 to review their institutional arrangements for delivering credit to the MSME sector, especially in 388

clusters identified by United Nations Industrial Development Organisation (UNIDO) spread over 21 states in various parts of the country. A list of SME clusters as identified by UNIDO has been furnished in Annex III.

(iii) The Ministry of Micro, Small and Medium Enterprises has approved a list of clusters under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and Micro and Small Enterprises Cluster Development Programme (MSE-CDP) located in 121 Minority Concentration Districts. Accordingly, appropriate measures have been taken to improve the credit flow to the identified clusters of micro and small entrepreneurs from the Minorities Communities residing in the minority concentrated districts of the country.

(iv) In terms of recommendations of the Prime Minister's Task Force on MSMEs banks should open more MSE focused branch offices at different MSE clusters which can also act as CounsellingCentres for MSEs. Each lead bank of a district may adopt at least one MSE cluster.

4.14 Credit Linked Capital Subsidy Scheme (CLSS)

Government of India, Ministry of Micro, Small and Medium Enterprises has conveyed their approval for continuation of the Credit Linked Capital Subsidy Scheme (CLSS) for Technology Upgradation of Micro and Small Enterprises from X Plan to XI Plan (2007-12) subject to the following terms and conditions:

(i) Ceiling on the loan under the scheme is Rs.1 crore.

(ii) The rate of subsidy is 15% for all units of micro and small enterprises up to loan ceiling at Sr. No. (i) above.

(iii) Calculation of admissible subsidy will be done with reference to the purchase price of plant and machinery instead of term loan disbursed to the beneficiary unit.

(iv) SIDBI and NABARD will continue to be implementing agencies of the scheme.

4.15 Committees on flow of Credit to MSE sector

4.15.1 Report of the High Level Committee on Credit to SSI (now MSE) (Kapur Committee)

Reserve Bank of India had appointed a one-man High Level Committee headed by Shri S L Kapur, (IAS, Retd.), Former Secretary, Government of India, Ministry of Industry to suggest measures for improving the delivery system and simplification of procedures for credit to SSI sector. The Committee made 126 recommendations covering wide range of areas pertaining to financing of SSI sector. These recommendations have been examined by the RBI and it has been decided to accept 88 recommendations which include the following important recommendations:

(i) Delegation of more powers to branch managers to grant ad-hoc limits;

(ii) Simplification of application forms;

(iii) Freedom to banks to decide their own norms for assessment of credit requirements;

(iv) Opening of more specialised SSI branches;

(v) Enhancement in the limit for composite loans to Rs. 5 lakh. (*since enhanced to Rs.1 crore);*

(vi) Strengthening the recovery mechanism;

(vii) Banks to pay more attention to the backward states;

(viii) Special programmes for training branch managers for appraising small projects;

(ix) Banks to make customers grievance machinery more transparent and simplify the procedures for handling complaints and monitoring thereof.

A circular was issued to all scheduled commercial banks vide RPCD.No. PLNFS.BC.22/06.02.31/98-99 dated August 28, 1998 thereby advising implementation of the Kapur Committee Recommendations.

4.15.2 Report of the Committee to Examine the Adequacy of Institutional Credit to SSI Sector(now MSE) and Related Aspects (Nayak Committee)

The Committee was constituted by Reserve Bank of India in December 1991 under the Chairmanship of Shri P. R. Nayak, the then Deputy Governor to examine the issues confronting SSIs (now MSE) in the matter of obtaining finance. The Committee submitted its report in 1992. All the major recommendations of the Committee have been accepted and the banks have been inter-alia advised to:

(i) give preference to village industries, tiny industries and other small scale units in that order, while meeting the credit requirements of the small scale sector;
(ii) grant working capital credit limits to SSI (now MSE) units computed on the basis of minimum 20% of their estimated annual turnover whose credit limit in individual cases is upto Rs.2 crore [since raised to Rs.5 crore];
(iii) prepare annual credit budget on the `bottom-up' basis to ensure that the legitimate requirements of SSI (now MSE) sector are met in full;
(iv) extend 'Single Window Scheme' of SIDBI to all districts to meet the financial requirements (both working capital and term loan) of SSIs(now MSE);
(v) ensure that there should not be any delay in sanctioning and disbursal of credit. In case of rejection/curtailment of credit limit of the loan proposal, a reference to higher authorities should be made;
(vi) not to insist on compulsory deposit as a `quid pro-quo' for sanctioning the credit;
(vii) openspecialised SSI (now MSE) bank branches or convert those branches which have a fairly large number of SSI (now MSE) borrowal accounts, into specialised SSI (now MSE) branches;
(viii) identify sick SSI (now MSE) units and take urgent action to put them on nursing programmes;
(ix) standardise loan application forms for SSI (now MSE) borrowers; and
(x) impart training to staff working at specialised branches to bring about attitudinal change in them.

A circular was issued to all scheduled commercial banks vide RPCD. PLNFS/ BC. No. 61/06.0262/ 2000-01 dated March 2, 2001 thereby advising implementation of the Nayak Committee Recommendations.

4.15.3 Report of the Working Group on Flow of Credit to SSI (now MSE) Sector (Ganguly Committee)

As per the announcement made by the Governor, Reserve Bank of India, in the Mid-Term Review of the Monetary and Credit Policy 2003-2004, a "Working Group on Flow of Credit to SSI sector" was constituted under the Chairmanship of Dr. A S Ganguly.

The Committee made 31 recommendations covering wide range of areas pertaining to financing of SSI sector. The recommendations pertaining to RBI and banks have been examined and RBI has accepted 8 recommendations so far and commended to banks for implementation which are as under:
(i) adoption of cluster based approach for financing MSME sector;
(ii) sponsoring specific projects as well as widely publicising successful working models of NGOs by Lead Banks which service small and tiny industries and individual entrepreneurs;
(iii) sanctioning of higher working capital limits by banks operating in the North East region to SSIs (now MSE) , based on their commercial judgment due to the peculiar situation of hilly terrain and frequent floods causing hindrance in the transportation system;
(iv) exploring new instruments by banks for promoting rural industry and to improve the flow of credit to rural artisans, rural industries and rural entrepreneurs, and
(v) revision of tenure as also interest rate structure of deposits kept by foreign banks with SIDBI for their shortfall in priority sector lending.

4.15.4 Policy Package for Stepping up Credit to Small and Medium Enterprises - Announcements made by the Union Finance Minister on August 10, 2005

The Hon'ble Finance Minister, Government of India had announced on August 10, 2005, a Policy Package for stepping up credit flow to Small and Medium enterprises. Some of the salient features of the policy package are as under:

• Definition of Small and Medium Enterprises (MSMEs)
• Fixing of self-targets for financing to MSME sector by banks
• Measures to rationalize the cost of loans to MSME sector
• Measures to increase the outreach of formal credit to the MSME sector
• Cluster based approach for financing MSME sector

• Constitution of Empowered Committees for MSMEs in the Regional Offices of Reserve Bank
• Steps to rationalize the cost of loans to MSME sector by adopting a transparent rating system with cost of credit being linked to the credit rating of enterprise.
• Banks to consider taking advantage of Credit Appraisal & Rating Tool (CART), Risk Assessment Model (RAM) and the comprehensive rating model for risk assessment of MSME proposals, developed by SIDBI for reduction of their transaction costs.
• Banks to consider the ratings of MSE units carried out through reputed credit rating agencies under the Credit Rating Scheme introduced by National Small Industries Corporation.
• Wider dissemination and easy accessibility of the policy guidelines formulated by Boards of banks as well as instructions/guidelines issued by Reserve Bank by displaying them on the respective banks' web sites as well as web site of SIDBI and also prominently displaying them at the bank branches.

4.15.5 Major Instructions issued to Public Sector banks subsequent to the policy announcements

On the basis of the Policy Package as announced by the Union Finance Minister, some of the major instructions issued by Reserve Bank to all public sector banks were as under:
Public sector banks were advised to fix their own targets for funding SMEs in order to achieve a minimum 20% year on year growth in credit to SMEs. The objective is to double the flow of credit from Rs. 67,600 crore in 2004-05 to Rs. 1,35,200 crore to the SME sector by 2009-10, i.e. within a period of 5 years. Public sector banks were advised to follow a transparent rating system with cost of credit being linked to the credit rating of the enterprise. All banks, may make concerted efforts to provide credit cover on an average to at least 5 new small/ medium enterprises at each of their semi-urban/ urban branches per year. The banks may ensure specialized MSME branches in identified clusters/ centres with preponderance of small Enterprises to enable the entrepreneurs to have easy access to the bank credit.

4.15.6 Working Group on Rehabilitation of Sick SMEs (Chairman: Dr. K.C. Chakrabarty)

In the light of the recommendations of the Working Group on Rehabilitation of Sick MSEs (Chairman: Dr. K.C. Chakrabarty, the then CMD of Punjab National Bank), all commercial banks were advised to:
a) put in place loan policies governing extension of credit facilities, Restructuring/Rehabilitation policy for revival of potentially viable sick units/enterprises and non- discretionary One Time Settlement scheme for recovery of non-performing loans for the MSE sector, with the approval of the Board of Directors and
b) implement the recommendations with regard to timely and adequate flow of credit to the MSE sector as detailed in the aforesaid circular. Banks were also advised vide above circular dated May 4, 2009 to consider implementation of the recommendations, inter alia, that lending in case of all advances upto Rs 2 crores may be done on the basis of scoring model. Banks have further been advised to undertake a review of their loan policy governing extension of credit facilities to the MSE sector, with a view to using Board approved credit scoring models in their evaluation of the loan proposals of MSE borrowers.

4.15.7 Prime Minister's Task Force on Micro, Small and Medium Enterprises

A High Level Task Force was constituted by the Government of India (Chairman: Shri T K A Nair) to consider various issues raised by Micro, Small and Medium Enterprises (MSMEs).The Task Force recommended several measures having a bearing on the functioning of MSMEs, viz., credit, marketing, labour, exit policy, infrastructure/technology/skill development and taxation.
The comprehensive recommendations cover measures that need immediate action as well as medium term institutional measures along with legal and regulatory structures and recommendations for North-Eastern States and Jammu & Kashmir. Banks are urged to keep in view the recommendations made by the Task Force and take effective steps to increase the flow of credit to the MSE sector, particularly to the micro

enterprises. A circular was issued to all scheduled commercial banks advising implementation of the recommendations of the Prime Minister's task Force on MSMEs. The report of the Prime Minister's Task Force on Micro, Small and Medium Enterprises is available on the website of Ministry of Micro, Small and Medium Enterprises (msme.gov.in)

4.15.8 Working Group to Review the Credit Guarantee Scheme for Micro and Small Enterprises

A Working Group was constituted by the Reserve Bank of India under the Chairmanship of Shri V.K. Sharma, Executive Director, to review the working of the Credit Guarantee Scheme of CGTMSE and suggest measures to enhance its usage and facilitate increased flow of collateral free loans to MSEs. The recommendations of the Working Group included, inter alia, mandatory doubling of the limit for collateral free loans to micro and small enterprises (MSEs) sector from Rs.5 lakh to Rs.10 lakh and enjoining upon the Chief Executive Officers of banks to strongly encourage the branch level functionaries to avail of the CGS cover and making performance in this regard a criterion in the evaluation of their field staff, etc. have been advised to all banks. A circular was issued to all scheduled commercial banks mandating them not to accept collateral security in the case of loans upto Rs 10 lakh extended to units in the MSE sector and advising them to strongly encourage their branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff. Necessary action is being taken to implement the other recommendations of the Group which would result in enhanced usage of the Guarantee Scheme and facilitate increase in quality and quantity of credit to the presently included, as well as excluded, MSEs, leading eventually, to sustainable inclusive growth.

4.16 Banking Codes and Standard Board of India (BCSBI)

The Banking Codes and Standard Board of India (BCSBI) has formulated a Code of Bank's Commitment to Micro and Small Enterprises. This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises (MSEs) as defined in the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to MSE and explains how banks are expected to deal with MSE for their day to-day operations and in times of financial difficulty. The Code does not replace or supersede regulatory or supervisory instructions issued by the Reserve Bank of India (RBI) and banks will comply with such instructions /directions issued by the RBI from time to time.

4.16.1 Objectives of the BCSBI Code

The Code has been developed to

(a) Give a positive thrust to the MSE sector by providing easy access to efficient banking services.

(b) Promote good and fair banking practices by setting minimum standards in dealing with MSE.

(c) Increase transparency so that a better understanding of what can reasonably expected of the services.

(d) Improve understanding of business through effective communication.

(e) Encourage market forces, through competition, to achieve higher operating standards.

(f) Promote a fair and cordial relationship between MSE and banks and also ensure timely and quick response to banking needs.

(g) Foster confidence in the banking system.

Role of the Ministry of Micro, Small & Medium Enterprises

The primary responsibility of promotion and development of micro and small enterprises lies with the State Governments. However, the Government of India, in recognition of the

potential of these sectors in both creation of wealth and employment and of the need for a countrywide framework of policies and measures for their promotion and development, has always taken active interest in supplementing the efforts of the State governments in several ways. The Government of India set up the Small Industries Development Organization (SIDO) [now Office of the Development Commissioner (Micro, Small & Medium Enterprises)] in 1954, a public sector enterprise called the National Small Industries Corporation Limited (NSIC) in 1955, and enacted the Khadi and Village Industries Commission Act in 1956. Establishment of Khadi and Village Industries Commission (KVIC), Coir Board and Micro, Small & Medium Enterprises-Development Institutes [formerly known as Small Industries Service Institutes (SISIs)] in nearly every State followed.

Over the years, the Central Government has formulated policy packages for the promotion and development of the sector and has been also implementing a large number of schemes and programmes. The policies and programmes implemented by the Ministry span across different areas of operations of MSMEs, covering credit, marketing, technology, skill developement, infrastructure development, fiscal matters and legal/regulatory framework. These programmes are implemented through various organisations under the Ministry, commercial banks, Small Industries Development Bank of India (SIDBI) and the State/UT Government.

Besides, the Ministry runs three training institutes, namely, National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad (successor to the Central Industrial Extension Training Institute), National Institute for Entrepreneurship and Small Business Development (NIESBUD), NOIDA, and Indian Institute of Entrepreneurship (IIE), Guwahati, with the objective of training and development of human resource relevant to small industries as also entrepreneurship. It has also supported in setting up a large number of entrepreneurship development institutes (EDI) in various States.

Office of the Development Commissioner (Micro, Small & Medium Enterprises)

The Office of the Development Commissioner (Micro, Small & Medium Enterprises) assists the Ministry in formulating, co-ordinating, implementing and monitoring different policies and programmes for the promotion and development of MSMEs in the country. In addition, it provides a comprehensive range of common facilities, technology support services, marketing assistance, etc. through its network of
30 Micro, Small and Medium Enterprises-Development Institutes (MSME-DIs); 28 Branch MSME-DIs; 4 MSME Testing Centres (MSME-TCs); 7 MSME-Testing Stations (MSME-TSs); 2 MSME-Training Institutes (MSME-TIs); and 1 MSME-Technology Development Center-Hand Tools (MSME-TDC-Hand Tools). The O/o DC (MSME) also operates a network of Tool Rooms and Technology Development Centres (including 2 Footwear Training Institutes) which are autonomous bodies registered as Societies under the Societies Act. The Office implements a number of schemes for the MSME sector, the details of which have been duly incorporated in the booklet.

Khadi & Village Industries Commission

The Khadi & Village Industries Commission (KVIC), established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956), is a statutory organization engaged in promoting and developing khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy. The Commission is headed by full time Chairman and consists of 10 part-time Members. The KVIC has been identified as one of the major organizations in the decentralized sector for generating sustainable rural non-farm employment opportunities at a low per capita investment. This also helps in checking migration of rural population to urban areas in search of the employment opportunities.

The main functions of the KVIC are to plan, promote, organize and assist in implementation of the programmes/projects/schemes for generation of employment opportunities through development of khadi and village industries. Towards this end, it undertakes activities like skill improvement, transfer of technology, research & development, marketing, etc. KVIC co-ordinates its activities through State KVI boards, registered societies and cooperatives. It has under its aegis a large number of industry-specific institutions spread in various parts of the country.

Coir Board

The Coir Board is a statutory body established under the Coir Board Industry Act, 1953 (No. 45 of 1953) for promoting overall development of the coir industry and improving the living conditions of the workers engaged in this traditional industry. The Coir Board consists of a full-time Chairman and 39 part-time Members. The activities of the Board for development of coir industries, inter-alia include undertaking scientific, technological and economic research and development activities; collecting statistics relating to exports and internal consumption of coir and coir products; developing new products and designs; organizing publicity for promotion of exports and internal sales; marketing of coir and coir products in India and abroad; preventing unfair competition between producers and exporters; assisting the establishment of units for manufacture of the products; promoting co-operative organization among producers of husks, coir fibre, coir yarn and manufactures of coir products; ensuring remunerative returns to producers and manufacturers, etc.

The Board has promoted two research institutes namely, Central Coir Research Institute (CCRI), Kalavoor, Alleppey, and Central Institute of Coir Technology (CICT), Bengalooru for undertaking research

activities on different aspects of coir industry which is one of the major agro based rural industries in the country. The two major strengths of the coir industry are it being export oriented and generating wealth out of the waste (coconut husk).

National Small Industries Corporation Limited (NSIC)

- NSIC, established in 1955, is headed by Chairman-cum-Managing Director and managed by a Board of Directors.
- The main function of the Corporation is to promote, aid and foster the growth of micro and small enterprises in the country, generally on commercial basis.
- NSIC provides a variety of support services to micro and small enterprises catering to their different requirements in the areas of raw material procurement; product marketing; credit rating; acquisition of technologies; adoption of modern management practices, etc.

NSIC implements its various programmes and projects throughout the country through its 9 Zonal Offices, 39 Branch Offices, 12 Sub Offices, 5 Technical Services Centres, 3 Technical Services Extension Centres, 2 Software Technology Parks, 23 NSIC-Business Development Extension Offices and 1 Foreign Office.

Salient Features of Micro, Small &
Medium Enterprises Development
(MSMED) Act, 2006

Salient features of Micro, Small and Medium Enterprises Development Act, 2006 are as follows:

1. Classification of Enterprises

The earlier concept of 'Industries' has been changed to 'Enterprises'.

Enterprises have been classified broadly into:

(i) Enterprises engaged in the manufacture/production of goods pertaining to any industry; and

(ii) Enterprises engaged in providing/rendering of services.

l Manufacturing Enterprises have been defined in terms of investment in plant and machinery (excluding land & buildings) and further classified into:

- Micro Enterprises – investment up to Rs. 25 lakh.
- Small Enterprises – investment above Rs. 25 lakh and up to Rs. 5 crore
- Medium Enterprises – investment above Rs. 5 crore and up to Rs. 10 crore.

Service Enterprises have been defined in terms of their investment in equipment (excluding land & buildings) and further classified into:

- Micro Enterprises – investment up to Rs. 10 lakh.
- Small Enterprises – investment above Rs. 10 lakh and up to Rs. 2 crore.

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- Medium Enterprises – investment above Rs. 2 crore and up to Rs. 5 crore.

2. Filing of Memoranda by MSMEs

- Process of two-stage registration of Micro and Small Enterprises dispensed with and replaced by filing of memoranda.
- Filing of Memorandum optional for all Micro and Small Enterprises.
- Filing of Memorandum optional for Service Sector Medium Enterprises.
- Filing of memorandum mandatory for Manufacturing Sector Medium Enterprises.

3. Apex Consultative Body with Wide Representation of Stakeholders

Constitution of Board

National Board for Micro, Small and Medium Enterprises (MSME) to be headed by the Central Minister I/c of MSMEs and consisting of 46 members from among

- MPs and Representatives of Central Ministries,
- State Governments,
- UT Administration, RBI, SIDBI, NABARD,
- Associations of MSMEs including women,
- Persons of Eminence, and
- Central Trade Union Organisations,
- National Board to be now statutory, as against non-statutory SSI Board,
- Quarterly meetings of National Board made mandatory.

Functions of the National Board

- Examine the factors affecting the promotion and development of MSMEs and review the policies and programmes of the Central Government in this regard.
- Make recommendations on matters referred to as above or an other matter referred to it by the Central Government.
- Advise the Central Government on the use of Fund or Funds constituted under the MSMED Act, 2006.

4. Advisory Committee

- Headed by Central Government Secretary I/c of MSMEs and including:
- Not more than five officers of the Central Government;
- Not more than three representatives of State Governments; and
- One representative each of the Associations of micro, small and medium enterprises.

Functions of the Advisory Committee

- To examine the matters referred to it by the National Board;
- To advise Central Government on matters relating to classification of MSMEs, programmes, guidelines or instructions for the promotion and development and enhancing the competitiveness of MSMEs, policies and practices in respect of credit to the micro, small and medium enterprises, procurement preference policy, funds to be created and administered under MSMED Act, etc.
- To advise State Governments on matters specified in the rules related to repeal of, “The Interest on Delayed Payments to Small

Scale and Ancillary Industrial Undertakings Act, 1993, including anything done or any action taken under the Act so repealed.

5. Promotional and Enabling Provisions

- Central Government to notify programmes, guidelines or instructions for facilitating the promotion and development and enhancing the competitiveness of MSMEs.
- Central Government to constitute, by notification, one or more Funds.
- Central Government to credit to the Fund or Funds, such sums as the Government may provide after due appropriation made by Parliament by law in this behalf.
- Central Government to administer the Fund or Funds for purpose mentioned in Section 9 and coordinate and ensure timely utilization and release of sums with such criteria, as may be prescribed.

6. Credit

The policies and practices in respect of credit to the MSMEs shall be progressive and such as may be specified in the guidelines or instructions issued by the Reserve Bank of India, with the aims of:

- Ensuring smooth credit flow to the MSMEs,
- Minimizing sickness among them, and
- Ensuring enhancement of their competitiveness.

7. Procurement Policies

- Central Government or a State Government to notify preference policies in respect of procurement of goods and services, produced and provided by MSEs, by its Ministries, departments or its aided institutions and public sector enterprises (non-statutory till now).

- Valid only for Micro and Small Enterprises and not for Medium Enterprises
- Services also covered.

8. Provisions to Check Delayed Payments

- Provisions related to delayed payments to micro and small enterprises (MSEs) strengthened.
- Period of payment of MSEs by the buyers reduced to forty-five days.
- Rate of interest on outstanding amount increased to three times the prevailing bank rate or Reserve Bank of India compounded on monthly basis.
- Constitution of MSE Facilitation Council(s) mandatory for State Government.
- Provision for inclusion of one or more representatives of MSE Associations in the Facilitation Council.
- Jurisdiction of the Council in a State to cover wherever the buyer may be located.
- MSE Facilitation Council may utilize services of any Institution or Centre for conciliation and alternate dispute resolution services.
- Reference made to the Council to be decided within ninety days from the date of reference.
- Declaration of payment outstanding to MSE supplier mandatory for buyers in their annual statement of accounts.
- Interest (paid or payable to supplier) disallowed for deduction for income tax purposes.
- No appeal against order of Facilitation Council to be entertained by any Court without deposit of 75% of the decreed amount payable by buyer.

- Appellate Court may order payment of a part of the deposit to the supplier MSE.

9. Facilitating Closure of Business

- Central Government may (within one year of the commence-ment of the Act) notify a scheme for facilitating closure of business by a micro, small or medium enterprise.

Initiatives of the Ministry of Micro, Small & Medium Enterprises (MSME) in Recent Years

1. Promulgation of MSMED Act, 2006

A significant achievement of the Government is the enactment of the ‘Micro, Small and Medium Enterprises Development Act, 2006’, which aims to facilitate the promotion and development and enhance the competitiveness of MSMEs. The Act has come into force from 2nd October 2006 and it fulfils a long-cherished demand of this sector. Apart from giving legal strength to the definitions of micro, small and medium enterprises, this Act also contains penal provisions relating to the delayed payment to these enterprises.

2. Khadi and Village Industries Commission Act, 1956

The Khadi and Village Industries Commission Act, 1956 has been comprehensively amended in 2006, introducing several new features to facilitate professionalism in the operations of the Commission as well as field-level formal and structured consultations with all segments of stakeholders. A new Commission has also been constituted in July 2006.

3. Prime Minister’s Employment Generation Programme

A national level credit linked subsidy scheme, namely, ‘Prime Minister’s Employment Generation Programme (PMEGP)’was introduced in August 2008 by merging erstwhile PMRY and REGP schemes of this Ministry with a total plan outlay of Rs.4,485 crore towards margin money subsidy for generating an estimated 37.38 lakh additional employment opportunities during the four terminal years of XIth plan (2008-09 to 2011-12). An amount of Rs.250 crore has also been kept towards backward–forward linkages. Under this

programme, financial assistance is provided for setting up of micro enterprises each costing upto Rs.10 lakh in service sector and Rs.25 lakh in manufacturing sector. The assistance is provided in the form of subsidy upto 25 per cent (35 per cent for Special category including weaker sections) of the project cost in rural areas while it is 15 per cent (25 per cent for Special category including weaker sections) for urban areas.

During 2009-10, disbursements were made in 39,335 cases utilising Rs.742.76 crore as margin money subsidy. The estimated employment generation is for 4.42 lakh persons. An amount of Rs.906 crore including Rs.836 crore margin money subsidy has been provided in BE 2010-11 for assisting 60,000 units for creation of around 6 lakh additional employment opportunities.

4. Promotional Package

In March 2007, the Government announced a comprehensive Package for the Promotion of Micro and Small Enterprises, which comprises of several proposals/schemes having direct impact on the promotion and development of the micro and small enterprises, particularly in view of the fast changing economic environment, wherein, to be competitive is the key of success. These, inter-alia, include credit and fiscal support, cluster-based development, infrastructure, technology and marketing support. Capacity building of MSME Associations and support to women entrepreneurs are the other important features of this Package.

5. Task Force on MSMEs

A Task Force under the chairmanship of the Principal Secretary to Prime Minister was constituted to address the issues of MSME sector. The Task Force submitted its Report in record time and has made recommendations in the areas of credit, marketing, labour, rehabilitation and exit policy, infrastructure, technology, skill development, taxation and development of MSMEs in the North-East and Jammu & Kashmir. A large number of recommendations have been implemented and several other recommendations are at an advanced stage of implementation. A Council on MSMEs under the chairmanship of Hon'ble Prime Minister has been constituted to lay down the broad policy guidelines and review the development of the MSME sector. For ensuring timely/speedy implementation of the recommendations of the Task Force and follow-up on the decisions of the Prime Minister's Council on MSMEs, a Steering Group under the chairmanship of Principal Secretary to the Prime Minister has also been constituted.

6. 4th All India Census of MSMEs

The Quick results of 4th All India Census of MSMEs (2006-07), which was launched in May 2008, were released during 2009-10. The results reveal that there are 2.61 crore MSMEs in 2006-07, providing employment to about 6 crore persons. Of the total MSMEs, 28% are in the manufacturing segment and 72% in the services segment. This is the first Census after the enactment of the MSMED Act, 2006 and includes, for the first time, medium enterprises.

7. Enhanced Credit Flow to the MSE Sector

For strengthening the delivery of credit to the MSEs, the Government announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises (SME)' in August 2005 for doubling the credit flow to this sector within a period of five years. This has resulted in a significant increase in the credit flow from Public Sector Banks (PSBs) to the micro and small enterprises (MSE) sector—with the outstanding credit of public sector banks increasing from Rs.1,02,550 crore at the end of March 2007 to Rs.2,78,398 crore at the end of March 2010. With constant monitoring and efforts made by the Government, the credit flow from Public Sector Banks (PSBs) to the MSE sector has registered a growth of 47.4%, 26.6% and 45.4% during 2007-08, 2008-09 and 2009-10 respectively—higher than the stipulated 20% in the Policy Package.

8. Credit Guarantee Scheme

The Government has set up a Credit Guarantee Fund to provide relief to those micro and small entrepreneurs who are unable to pledge collateral security in order to obtain loans for the development of their enterprises. For making the scheme more attractive to both lenders as well as borrowers, several modifications have been undertaken which, inter-alia, include (i) enhancement in the loan limit to Rs.100 lakh, (ii) enhancement of guarantee cover from 75% to 85% for loans up to Rs.5 lakh; (iii) enhancement of guarantee cover from 75% to 80% MSEs owned/operated by women and for loans in the North East Region (NER), (iv) reduction in one-time guarantee fee from 1.5% to 1% and annual service charges from 0.75% to 0.50% for loans up to Rs.5 lakh, (v) reduction in one-time guarantee fee for NER from 1.5% to 0.75%, etc. As a result, the scheme has been able to overcome the initial inhibition of bankers and is steadily gaining acceptance. Further, efforts made to enhance the awareness have led to increasing the coverage from 68,062 proposals (for loans of Rs.1,705 crore) at the end of March 2007 to 4,37,465 proposals (for loans of Rs.18,165 crore) at the end of October 2010. The Government is making concerted efforts to further enhance the awareness of the scheme throughout the country for enhancing the coverage of the Scheme.

9. National Manufacturing Competitiveness Programme

The Government has launched an all-India campaign under the National Manufacturing Competitiveness Programme (NMCP) for the MSMEs, which has ten specific components aimed at improving their processes, designs, technology and market access. These components seek to introduce the best elements of industrial competitiveness in the MSME sector, which has often been unable to afford such practices and techniques. The ten components of the scheme are as under:

(i) Building Awareness on Intellectual Property Rights for MSME;

(ii) Scheme for Providing Support for Entrepreneurial and Managerial Development of SMEs through Incubators;

(iii) Enabling Manufacturing Sector to be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT);

(iv) Mini Tool Rooms under PPP mode;

(v) Marketing Assistance/Support to MSEs (Bar Code);

(vi) Lean Manufacturing Competitiveness Programme for MSMEs;

(vii) Promotion of Information & Communication Tools (ICT) in Indian MSME sector;

(viii) Design Clinics Scheme for MSMEs;

(ix) Marketing Assistance and Technology Upgradation Scheme for MSMEs; and

(x) Technology and Quality Upgradation Support to MSMEs.

All the ten components have been operationalised and the guidelines of the scheme have been notified. The details of the scheme guidelines are available on the website www.dcmsme.gov.in.

10. MSE-Cluster Development Programme (MSE-CDP)

The Programme is being implemented for holistic and integrated development of micro and small enterprises in clusters through Soft Interventions (such as diagnostic study, capacity building, marketing development, export promotion, skill development, technology upgradation, organizing workshops, seminars, training, study visits, exposure visits, etc.), Hard Interventions (setting up of Common Facility Centres) and Infrastructure Upgradation (create/upgrade infrastructural facilities in the new/existing industrial areas/clusters of MSEs). The guidelines of the MSE-Cluster Development Programme have been comprehensively modified in February 2010 to provide higher support to the MSEs. The scope of the scheme includes:

(i) Preparation of Diagnostic Study Report with Government of India (GoI) grant of maximum Rs.2.50 lakh (Rs.1 lakh for field offices of the Ministry of MSME).

(ii) Soft Interventions like training, exposure, technology upgradation, brand equity, business development, etc. with GoI grant of 75% of the sanctioned amount of the maximum project cost of Rs. 25 lakh per cluster. For NE & Hill States, Clusters with more than 50% (a) micro/ village, (b) women owned, (c) SC/ST units, the GoI grant will be 90%.

(iii) Detailed Project Report (DPR) with GoI grant of maximum Rs. 5 lakh for preparation of a technical feasible and financially viable project report.

(iv) Hard Interventions in the form of tangible assets like Common Facility Centre having machinery and equipment for critical processes, research and development, testing, etc. for all the units of the cluster with GoI grant upto 90% of the cost of project of maximum Rs. 15 crore.

(v) Infrastructure Development with GoI grant of upto 80% of the cost of project of Rs. 10 crore, excluding cost of land.

(vi) Exhibition Centres by Associations of Women Entrepreneurs of women owned micro and small enterprises with GoI assistance @ 40% of the project cost.

Over 460 clusters have been undertaken for various cluster development interventions (i.e., diagnostic study, soft interventions, and hard interventions) and 126 proposals (including 28 for upgradation of existing industrial estates) have been taken up for infrastructure development under the scheme.

11. Credit Linked Capital Subsidy Scheme

To make the Credit Linked Capital Subsidy Scheme (CLCSS) more attractive, the following amendments were made with effect from September 29, 2005: (a) the ceiling on loans has been raised from Rs.40 lakh to Rs.1 crore; (b) the rate of subsidy has been raised from 12 per cent to 15 per cent; (c) the admissible capital subsidy has now been based on the purchase price of plant and machinery, instead of the term loan disbursed to the beneficiary unit; and (d) the practice of categorisation of MSEs in different slabs on the basis of their present investment for determining the eligible subsidy has been dispensed with. Further, the ambit of Scheme was enlarged in 2009-10 to include 201 new technologies, including 179 technologies relating to Pharmaceutical sector. The coverage under the Scheme has shown considerable increase and up to October 2010, 10,952 MSEs have benefited under the Scheme with the total subsidy sanctioned amounting to Rs.514.13 crore.

12. Entrepreneurship and Skill Development

In line with the overall target set by the Prime Minister's National Council on Skill Development, the Ministry has taken up skill development as a high priority area. Under the Entrepreneurship/Skill Development Programmes conducted by various organisations of the Ministry of MSME, about 3.5 lakh persons were trained during 2009-10 which is an

increase of more than 33% over previous year. To further expand the coverage of training programmes, a new component under the scheme of 'Assistance to Training Institutions' has been added to, inter-alia, provide assistance to the training institutions/centres established by Partner Institutions (PIs) of National Level Entrepreneurship Development Institutes (EDIs) and franchisees of National Small Industries Development Corporation (NSIC). Further, the Ministry of MSME provides all such trainings to disadvantaged sections of the society like the trainings for SCs/STs, free of cost. A number of programmes are also being organised for women and other weaker sections of the society free of cost, besides providing a monthly stipend of Rs.500/- per month during the entire period of training.

13. Rajiv Gandhi Udyami Mitra Yojana

The scheme aims to promote and support establishment of new micro and small enterprises through handholding of potential first generation entrepreneurs, who have already successfully completed Entrepreneurship Development Programme (EDP)/Skill Development Programme (SDP)/Entrepreneurship-cum-Skill Development Programme (ESDP) of at least two weeks' duration, or have undergone vocational training from ITIs. One of the main objectives of handholding is to guide and facilitate the potential entrepreneurs in dealing with various procedural and legal hurdles and completion of various formalities which are required for setting up and running of enterprise successfully and to save them from harassment at the hands of various regulatory agencies for want of required compliances. It will not only increase the proportion of potential entrepreneurs trained under various EDPs/SDPs/ESDPs/Vocational Training (VT) in setting up their enterprises, more importantly, it will also enhance survival/success rate of newly set up enterprises.

As a component of this scheme, the Ministry has recently launched a MSME Call Centre (known as 'Udyami Helpline') with a toll-free number 1800-180-6763. The Udyami Helpline, inter-alia, provides basic information on how to set up an enterprise, various schemes being implemented for the promotion of MSMEs, accessing loans from banks and further contacts for obtaining detailed information.

14. Performance and Credit Rating Scheme

To sensitize the MSE sector on the need for credit rating and encourage the MSEs to maintain good financial track record enabling them to earn higher rating for their credit requirements, the Government in April 2005 launched the 'Performance and Credit Rating Scheme'. The implementation of the scheme is through National Small Industries Corporation Ltd. (NSIC). Reputed Rating Agencies have been empanelled by NSIC from which the MSEs can select the one to be engaged by it for obtaining the rating. The Ministry of

MSME subsidises the cost of rating by sharing 75% of the fee charged by the Rating Agency, subject to a ceiling of Rs.40,000.

15. National Small Industries Corporation Limited

To provide an opportunity for first generation entrepreneurs to acquire skills for enterprise building and to incubate them to become successful small business owners, NSIC has set up 47 Training-cum-Incubator Centres (TICs) under PPP mode. NSIC has also launched a B2B Web portal to provide marketing facilities to national and international MSMEs for business to business relationship. The MSME Info Call Centre of NSIC has been made functional to provide information about the schemes and activities being implemented for the benefits of MSMEs. Further, NSIC has established a Marketing Intelligence Cell in May 2010, which shall provide database and information support to the MSMEs on marketing of their products/ services.

16. Khadi Reform Development Programme (KRDP)

In order to revitalize and reform the traditional khadi sector with enhanced sustainability of khadi, increased artisans welfare, increased incomes and employment opportunities for spinners and weavers with lesser dependence on Government grants, a Khadi Reform Development Programme was formulated by the Ministry of MSME in consultation with Khadi and Village Industries Commission (KVIC), Asian Development Bank (ADB), Department of Economic Affairs (DEA) and Price Waterhouse Coopers (PWC). This programme is proposed to be implemented in 300 selected khadi institutions willing to undertake the identified reforms. The DEA has arranged a sum of US$ 150 million equivalent to Rs.717 crore (approx.) from ADB to be given to KVIC as grant in four tranches over a period of 36 months. After completion of procedural formalities, and signing of necessary agreement and announcement by ADB, the first tranche of Rs.96 crore was released to KVIC in February 2010. The second tranche of Rs.192 crore has been earmarked in BE 2010-11.

17. Market Development Assistance (MDA) Scheme

The scheme has been introduced w.e.f. 01.04.2010 and envisages financial assistance @ 20% on value of production of khadi and polyvastra which will be shared among artisans, producing institutions and selling institutions in the ratio 25:30:45. The scheme has been introduced on the basis of recommendations of several committees constituted during the past few decades and after running several pilot projects in the past. The need had arisen because Khadi production so far was not based on market demand or performance and the rebate system did not benefit the spinners and weavers. Also KVIC was constrained to devote most of its resources for administration of rebate; to the detriment of its remaining responsibilities regarding development of the sector. MDA seeks to rectify this imbalance and provide flexibility/freedom to the khadi institutions to take innovative measures to improve its marketing infrastructure such as renovation of outlets, training sales persons, computerization of sales, design improvement, publicity, discount to customers, improved equipments of production, training of artisans and capacity building so that khadi can

attract more customers not just because of discount, but because of its quality design and appeal. Most importantly, for the first time a definite share of 25% of MDA has been earmarked for spinners and weavers which will give them a prominent role in the entire khadi chain of activities. An amount of Rs.345.05 crore has been earmarked to be incurred during 2010-11 and 2011-12 as MDA.

18. Workshed Scheme for Khadi Artisans

Under this scheme, assistance is provided for construction of Worksheds for Khadi artisans for better work environment. Around 38,000 worksheds are targetted to be constructed between 2008-09 and 2011-2012 at a total cost of Rs.127 crore approximately, involving financial assistance of Rs.95 crore as grant to KVIC from Government of India's budgetary sources. Financial assistance for establishment of workshed has been provided to 5,951 artisans in 2009-10. In BE 2010-11, an amount of Rs.20 crore has been earmarked for assisting

10,000 artisans under this scheme.

19. Scheme for Enhancing Productivity and Competitiveness of Khadi Industry and Artisans

The scheme aims to provide financial assistance to 200 of the 'A+' and 'A' category khadi institutions of which 50 institutions would be those which are managed exclusively by beneficiaries belonging to Scheduled Castes/Scheduled Tribes to make them competitive with more market driven and profitable production by replacement of obsolete and old machinery and equipment. The total cost of the scheme is Rs.84 crore involving financial assistance of Rs.71.14 crore as grants to KVIC from Government of India's budgetary sources between 2008-09 and 2011 -2012. 20 khadi institutions were assisted with financial assistance of Rs.2.23 crore under this scheme in 2009-

10. An amount of Rs.21 crore has been earmarked in BE 2010-11 for assisting 60 khadi institutions under this scheme.

20. Scheme for Rejuvenation, Modernisation and Technological Upgradation of Coir Industry

Under the scheme, assistance is provided to spinners and tiny household sector for replacement of outdated ratts/looms and for constructing worksheds so as to increase production and earnings of workers. In 2009-10, 296 spinning units and 410 tiny household units have been assisted under this scheme and a target for assisting 320 spinning units and 880 household units has been fixed for 2010-11 with the budget allocation of Rs.21 crore. During 2010-11 (upto September 2010), Rs. 4.88 crore has been released by the Ministry.

21. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

This Scheme was launched in 2005 for regeneration of traditional industries, identified clusters in khadi, village industries and coir sectors with a view to make these industries more productive and competitive and increase the employment opportunities in rural and semi-urban areas. The objective of the Scheme is to establish a regenerated, holistic, sustainable and replicable model of integrated cluster-based development of traditional industries in khadi, village and coir sectors. So far 105 clusters (Khadi – 29, Village Industries – 50 and Coir - 26) have been taken up under SFURTI and production has been started in 72 clusters. Cluster interventions will be completed in remaining 33 clusters providing employment to around 16,000 rural artisans in 2010-11.

22. Mahatma Gandhi Institute for Rural Industrialization (MGIRI)

A national level institute named MGIRI has been established at Wardha, Maharashtra as a society under Societies Registration Act, 1860 by revamping Jamnalal Bajaj Central Research Institute in association with IIT, Delhi for strengthening the R&D activities in khadi and village industry sectors. The main objectives of the institute are as under:

- To accelerate rural industrialization for sustainable village economy so that KVI sector co-exists with the main stream.
- Attract professionals and experts to Gram Swaraj.
- Empower traditional artisans.
- Innovation through pilot study/field trials.
- R&D for alternative technology using local resources.

During 2010-11, it is proposed to initiate action on handholding support to 68 model enterprises in bio-processing, chemical, energy, rural crafts and solar garments sets and 21 machines/processes/services would be improved.

23. National Board for MSMEs

The Government has set up for the first time, a statutory National Board for Micro, Small and Medium Enterprises so as to bring together the representatives of different sub-sectors of MSMEs, along with policy-makers, bankers, trade unions and others in order to move towards cohesive development of the sector. The deliberations and directions of the National Board will go a long way to guide and develop enterprises in this sector to become more competitive and self-reliant.

24. Fiscal Benefits

The Government has worked towards enhancing the level of fiscal incentives available for micro and small enterprises. Under the General Excise Exemption Scheme, exemption limit has been raised from Rs.1 crore to Rs.1.5 crore (in 2007-08 budget) and the turnover eligibility limit to avail the exemption benefits has been enhanced from Rs.3 crore to Rs.4 crore (in 2005-06 budget). Further, with effect from 1st April 2005, small service providers having a turnover of up to Rs.4 lakh has been exempted from service tax. This exemption limit has been gradually raised to Rs.10 lakh in the subsequent budgets. In order to encourage small and medium enterprises to invest and grow, the surcharge on all firms and companies with a taxable income of Rs.1 crore or less has been removed with effect from 1st April 2007. The turnover limit for tax audit and for the purpose of presumptive taxation of small businesses has been enhanced to Rs.60 lakh with effect from 1st April 2010. To ease the cash flow position for small scale manufacturers, they have been permitted to take full credit of Central Excise duty paid on capital goods in a single installment in the year of their receipt. Further, they have also been permitted to pay Central Excise duty on a quarterly basis rather than monthly basis.

SCHEMES AND PROGRAMMES OF MSMEs

Entrepreneurship Development Programmes (EDPs)

Entrepreneurship Development is one of the key elements for promotion of micro and small enterprises, particularly, the first generation entrepreneurs. Entrepreneurship, and resultant creation of employment and wealth, is a major means for inclusive development. Hence, entrepreneurship development has been one of the priorities in countries, the world over.

The Office of DC (MSME) conducts a large number of vocational and entrepreneurship development programmes. While vocational training is implemented by various Departments of the Government, the responsibility of entrepreneurship development lies largely with this office. The Entrepreneurship Development Programmes (EDPs) are conducted through MSME-DIs, with focus on entrepreneurial development coupled with specific skills relating to trades like electronics, electrical, food processing, etc, which enables the trainees to start their own ventures. The programmes covered include the following:

1. Industrial Motivation Campaigns (IMCs)
2. Entrepreneurship Development Programmes (EDPs)
3 Entrepreneurship Skill Development Programme (ESDPs)
4. Management Development Programmes (MDPs)

20% of the targeted EDPs and ESDPs are conducted exclusively for the weaker sections of the Society (SC/ST/Women/Physically Handicapped), for which no fee is charged. Besides, a stipend of Rs.125/- per week per candidate is provided.

Biotechnology is a frontier area of modern science and technology having significant commercial applications in healthcare, agriculture, and industry and environment sector. India is better placed to harness the potential of biotechnology due to its advantages of technical expertise, skilled manpower, rich bio-resources and progressive Government policies.

Entrepreneurship Skill Development Programmmes (ESDPs) on biotechnology are also conducted to promote entrepreneurship activities in Biotechnology as well as promoting biotechnology enterprises.

Salient features of these training/motivation programmes are as follows.

Industrial Motivation Campaigns

Industrial Motivation Campaigns are organized to identify and motivate traditional/non-traditional entrepreneurs having potential for setting up MSEs so as to lead them towards self-employment. The programme outlines are as follows:

1. Agency : These programmes are conducted by MSME- DIs

2. Duration : One day

3. Intake Capacity : No limit

4. Training Fee : No Fee

5. Age of Participants : 18 Years and above

6. Qualification : As decided by the Director of the institute

Entrepreneurship Development Programmes (EDPs)

Entrepreneurship Development Programmes are being organized to nurture the talent of youth by enlightening them on various aspects of industrial activity required for setting up MSEs. These EDPs are generally conducted in ITIs, Polytechnics and other technical institutions, where skill is available to motivate them towards self-employment.
The course contents of the Entrepreneurship Development Programmes are designed to provide useful information on product/ process design, manufacturing practices involved, testing and quality control, selection and usage of appropriate machinery and equipments, project profile preparation, marketing avenues/ techniques, product/service pricing, export oppor tunities, infrastructure facilities available, finance and financial institutions, cash flow, etc. The programme outlines are as follows:

1. Agency : These training programmes are conducted by MSME-DIs

2. Duration : 2 weeks

3. Minimum Intake Capacity : 20

4. Training Fee (Minimum) : (1) Rs.100/- for general candidates.
   (2) No fees for SC/ST and 50% fee from women and physically handicapped.

5. Age of Participants : 18 Years and above

6. Qualification : As decided by the Director of the institute

Entrepreneurship Skill Development Programmes (ESDPs)

Comprehensive training programmes are organized to upgrade skills of prospective entrepreneurs, existing workforce and also develop skills of new workers and technicians of MSEs by organizing various technical-cum-skill development training programmes with the basic objective of providing training for their skill upgradation and to equip them

with better and improved technological skills of production. The specific tailor made programmes for the skill development of socially disadvantaged groups (OBC, SC/ST, minorities and women) are organized in various regions of the states, including the less developed areas. The target group for these programmes are SC, ST, OBC, women, minorities and other weaker sections.

Courses conducted are in Machine Shop Practice, Heat Treatments, Electroplating, Sheet metal, Welding, Tool & Die Making, Glass & Ceramics, Industrial & Art Wares, Herbal Cosmetics, Fashion Garments, Hosiery, Food & Fruit Processing Industries, Information Technology, Hardware Maintenance, Soap and Detergents, Leather Products/Novelties, Servicing of Household Electrical Appliances and Electronic Gadgets, Gem Cutting & Polishing, Engineering Plastics etc.

The programme outlines are as follows:

1. Agency : These training programmes are conducted by MSME-DIs
2. Duration : 6 weeks
3. Minimum Intake Capacity : 20 No. in each programme
4. Age of Participants : 18 Years and above
5. Qualification : As decided by the Director of the institute
6. Training Fee : (1) Rs. 200/- for general candidates.
   (2) No fees for SC/ST and 50% fee from women and physically handicapped

Management Development Programmes (MDPs)

The objective of imparting training on management practice system is to improve their decision-making capabilities resulting in higher productivity and profitability of existing and potential entrepreneurs and developing new enterprises. Inputs on a variety of topics of managerial functions are provided to the participants by experts, which aims at dissemination of knowledge of scientific/modern management techniques/practices.

Management Training course on various areas of industrial management are devised for owner-cum-manager and supervisory level personnel of small scale industries. These training programmes are designed keeping in view the demands of the area and the local requirements of the industries. The nature of target groups and its profile determines the

course content to be made in order to make them suitable for contemporary managerial practices which may be used by MSMEs executives for attaining desired strength of managerial action. The various topics covered under these training programmes pertain to various Management functions like Industrial Management, Human Resource Management, Marketing Management, Export Management & Documentation, Materials Management, Financial Management, Information Technology & Exports, ISO 9000, WTO, IPR etc.

1.	Agency	: These training programmes are conducted by MSME-DIs
2.	Duration	: One-week for full time and two-weeks for part time
3.	Minimum Intake Capacity	: 20 Nos.
4.	Training Fee	: (1) Rs. 400/- for general candidates. (2) No fees for SC/ST and 50% fee from women and physically handicapped (3) Rs. 100/- for candidates from Andaman & Nicobar, Lakshadweep, NE States, J&K and Sikkim
5.	Age of Participants	: 18 Years and above
6.	Qualification	: As decided by the Director of the institute

Tailor Made Business Skill Development Programme (BSDP)

The programme has been devised to encourage educated youth (students) basically the final year and pre-final year students of Business Schools/Technical Institutes to start self-employment ventures of micro or small enterprises and thus instrumental in employment generation. The programme is known as Business Skill Development Programme (BSDP).

The programmes provide useful information on Product/Process design, Manufacturing Process involved, Testing, Selection and Usage of appropriate machinery and equipment, Marketing avenues/ techniques, product /service pricing, export opportunities, cash flow, field visits to small scale units, market study, preparation of project profiles, ISO, Quality management tools etc.

These 22 working days programmes are conducted by MSME-DIs jointly with selected Business Schools/Engineering Colleges in their respective jurisdictions. The participating institute/college need to be AICTE approved and should have a cell for entrepreneurship development functioning for the last three years. No fee is charged toward training under this programme.

Scheme to Support 5 Selected Universities to Run 1,200 Entrepreneurship Clubs

The scheme is also known as e-club scheme. It provides support to form entrepreneurship club at select universities throughout India so that a kind of communication between universities, entrepreneurs, development institutes and students can be established by providing financial help in formation and maintenance of e-club at universities.

This scheme aims to develop linkages of the entrepreneurs with the knowledge institutions while MSME-Development Institutes (MSME-DIs) act as a facilitator. In addition, it provides a base to entrepreneurs for coming together to solve their common problems, a shift from Lobbying Mode to Facilitation Mode, giving hard intervention in the form of technology and soft intervention like arranging workshops, seminars, guidelines to obtain ISO Certification, ISI Marks, participation in Trade Fairs, implementation of Quality Management Tools.

Salient Features

(i) The scheme is to support 5 universities to run Entrepreneurship Clubs (One each from Northern, Western, Southern, Eastern and North Eastern Region).

(ii) The Universities with whom the MSME-DIs have signed MoUs are:

- (a) For the Northern Region–GGSIP University, New Delhi
- (b) For Southern Region–Vellore Institute of Technology, Vellore
- (c) For Eastern Region–Ravenshaw University, Cuttack
- (d) For North Eastern Region- Guwahati University, Guwahati

(e) For Western Region–Rajasthan Technical University, Kota, Rajasthan.

Rajiv Gandhi Udyami Mitra Yojana (RGUMY)

Objectives

The objective of Rajiv Gandhi Udyami Mitra Yojana (RGUMY) is to provide handholding support and assistance to the potential first generation entrepreneurs, through the selected lead agencies i.e. 'Udyami Mitras', in the establishment and management of the new enterprise, completion of various formalities required for setting up and running of the enterprise and in dealing with various procedural and legal hurdles. Under this Scheme, the selected lead agencies i.e. 'Udyami Mitras' provide guidance and assistance to the potential entrepreneurs registered with them, in preparation of project report; arranging finance; selection of technology; marketing tie-ups with buyers; installation of plant and machinery as well as obtaining various approvals, clearances and NOCs etc.

Apex organizations under the Ministry, namely, Office of DC (MSME), KVIC, NSIC and three national level EDIs through their field offices are working as deemed Udyami Mitras. The eligible organizations at State level and District level duly recommended by the concerned State Commissioner/Director (Industries), are also empanelled as Udyami Mitras. The Udyami Mitras are paid handholding charges under the Scheme, including nominal contribution of the concerned entrepreneur. However, the beneficiaries belonging to SC/ST/ Physically Handicapped/Women and beneficiaries from NER are not required to pay any contribution to Udyami Mitra for availing the handholding support. Funds have been released to apex Organizations and Director/Commissioner (Industries) in all States and Union Territories for implementing the Scheme.

A new component has been added in the existing scheme of 'Rajiv Gandhi Udyami Mitra Yojana' (RGUMY), namely, 'Udyami Helpline' to give free access of information and guidance to potential entrepreneurs throughout the country by making a provision of toll free Telephone Number 1800-180-6763. Under this component, any potential entrepreneur desirous of getting any information regarding schemes of Ministry of MSME or anything related to small businesses may get information by dialling up this toll free number. A Call Centre with trained manpower has been put in place under this component to give information as well as guidance to potential entrepreneurs.

Assistance to Training Institutions

Objectives

This Scheme envisages financial assistance for establishment of new institutions (EDIs), strengthening the infrastructure of the existing EDIs and for supporting entrepreneurship and skill development activities. The main objectives of the scheme are development of indigenous entrepreneurship from all walks of life for developing new micro and small enterprises, enlarging the entrepreneurial base and encouraging self-employment in rural as well as urban areas by providing training to first generation entrepreneurs and assisting them in setting up of enterprises. The assistance is provided to these training institutes in the form of capital grant for creation/strengthening of infrastructure. The scheme has been evaluated and modified on the recommendations of the evaluation study. In the modified scheme there are three components of this Scheme.

(i) The first component provides financial assistance to three National level Entrepreneurship Development Training Institutes (EDIs) working under the aegis of this Ministry, viz., National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad, National Institute for Entrepreneurship & Small Business Development (NIESBUD), Noida and Indian Institute for Entrepreneurship(IIE), Guwahati for meeting their revenue deficit and capital expenditure.

(ii) The Second component provides financial assistance for strengthening training infrastructure of the existing and new Entrepreneurship Development Institute (EDIs) at State/UT level. Entrepreneurship development is one of the key elements for promotion of micro and small enterprises, particularly, the first generation entrepreneurs. Hence, entrepreneurship development has been one of the priorities in countries world over. The Government make consistent and concerted efforts to strengthen and revitalize the promotion of entrepreneurship. The Ministry of MSME promotes the development of small scale industries in the country with the objective of creating self-employment opportunities and upgradation of management and technical skills of existing and potential entrepreneurs. The scheme of Entrepreneurship Development Institutes (EDIs) was launched in 1992-93 to provide financial assistance for strengthening training infrastructure of the existing and new entrepreneurship development institutes at State/UT level. The scheme envisages providing financial assistance to State sponsored existing and proposed institutions meant for supporting entrepreneurship development and self-employment activities training, consultancy and research in tune with the policy measures announced by the Government of India on promoting and strengthening of micro and small enterprises. The Central assistance is expected to be only catalytic and supplementary to the contributions and efforts of the States/ UT Governments and other agencies, namely, institutions engaged in entrepreneurship development,

technical education institutions, management institutions and financial institutions, and is expected to augment the existing entrepreneurship development training capacity in the country. The ceiling of financial assistance has been raised from Rs.100.00 lakh to Rs.150.00 lakh or 50% of the project cost whichever is less and in the case of North East Region including Sikkim and Andaman & Nicobar islands including Lakshadweep, the central assistance would be 90% of the project cost or Rs. 270.00 lakh, whichever is less. 29 EDIs have so far been financially assisted under this scheme.

(iii)The third component of the scheme Assistance to Training Programmes provides assistance for Training Programmes. Assistance is provided under the scheme to the Training Institutions for conducting Entrepreneurship Development Programmes (EDPs) and Entrepreneurship-cum-Skill Development Programmes (ESDPs) and Training of Trainers (ToTs) programmes in the areas of Entrepreneurship and/or Skill Development. Assistance is normally provided for short term courses/training programmes (non-residential) only, i.e. ESDPs for 1 to 3 months (100 to 300 hours of training inputs), EDPs for 2 weeks (72 hours of training inputs) and ToT programmes (300 hours of training inputs).

The concerned training institution would be free to decide the training fee for various training programmes viz. EDP/ESDP/ToT being conducted by it. However, the assistance under the scheme would depend on the duration of the training programme (number of hours of training inputs) and would be limited to following rates or actual fee charged, whichever is less:

Particulars	Maximum assistance per trainee per hour (Rs)
SC/ST/Physically Handicapped (PH)/North Eastern Region (including Sikkim), Union Territories of Andaman & Nicobar and Lakshadweep Islands (NER+)	
District Headquarter (HQ)	60/-
Urban areas other than District HQ	50/-
Rural areas	40/-
Others	
District HQ	50/-
Urban areas other than District HQ	40/-
Rural areas	30

Assistance for Training of Trainers (ToTs) programmes would be provided @ Rs 60 per trainee per hour.

The trainees would be expected to make their own arrangement for travel and stay during the training period. In case the residential facility is provided by the Training Institution, it may charge the same from the trainee. It would be permissible to dovetail the assistance under this scheme with facilities/benefits available under schemes of other Ministries/Departments/State/UT Governments etc. for reimbursement of travel, boarding and lodging expenses and stipend etc. However, it would be the responsibility of the Training Institution to ensure that there is no duplication and assistance for the same purpose that is not claimed under more than one scheme.

National Award Scheme for MSMEs

The Ministry of Micro, Small & Medium Enterprises with a view to recognize the efforts and contribution of MSMEs gives National Award annually to selected entrepreneurs and enterprises under the scheme of National Award.

The awards are given for various categories in Research and Development Efforts, Entrepreneurship and Quality Products. The First, Second and Third National Award carry a cash prize of Rs.1,00,000/-, Rs. 75,000/- and Rs. 50,000/- respectively, a certificate and a trophy. Selection for awards is made on the basis of a set criteria exclusively designed to evaluate performance of the MSMEs. The awards to the selected entrepreneurs are given in a National Function organized by Office of the DC(MSME).

Besides Awards to the entrepreneurs, awards are also given to banks for lending to MSME. Under the scheme an exhibition is also organized for MSMEs during the India International Trade Fair (IITF) at Pragati Maidan to exhibit products manufactured by MSMEs and National Awardees.

Types of Awards

The awards are given for following categories:

(i) National Award for Outstanding Entrepreneurship in Micro & Small Enterprises Engaged in Manufacturing

1. First National Award : Rs.1,00,000/-cash prize, a Trophy and a Certificate
2. Second National Award : Rs. 75,000/- cash prize, a Trophy and a Certificate
3. Third National Award : Rs. 50,000/- cash prize, a Trophy and a Certificate
4. Special National Award to Outstanding Woman Entrepreneur : Rs.1,00,000/- cash prize, a Trophy and a Certificate
5. Special National Award to Outstanding SC/ST Entrepreneur: Rs.1,00,000/- cash prize, a Trophy and a Certificate
6. Special National Award to Outstanding Entrepreneur from NER including Sikkim : Rs.1,00,000/- cash prize, a Trophy and a Certificate.

(ii) National Award for Outstanding Entrepreneurship in Micro & Small Enterprises Rendering Services

1. First National Award : Rs. 1,00,000/- cash prize, a Trophy and a Certificate
2. Second National Award : Rs. 75,000/- cash prize, a Trophy and a Certificate.

(iii) National Award for Outstanding Entrepreneurship in Medium Enterprises Engaged in Manufacturing

1. First National Award : Rs. 1,00,000/- cash prize, a Trophy and a Certificate

2. Second National Award : Rs. 75,000/- cash prize, a Trophy and a Certificate.

(iv) National Awards for Research & Development Efforts in Micro & Small Enterprises

1. First National Award : Rs. 1,00,000/- cash prize, a Trophy and a Certificate

2. Second National Award : Rs. 75,000/- cash prize, a Trophy and a Certificate.

(v) National Awards for Research & Development Efforts in Medium Enterprises

1. First National Award : Rs.1,00,000/- cash prize, a Trophy and a Certificate
2. Second National Award : Rs. 75,000/- cash prize, a Trophy and a Certificate.

(vi) National Awards for the selected Product Group for Quality Products in Micro & Small Enterprises (MSEs)

Every year Product groups (10-15 Nos.) are selected for quality award. One award is given in each group. Each award carries Rs.1.00 lakh cash prize, a Certificate and a Trophy.

(vii) Special Recognition Award in all above Categories

Special Recognition Award in all above categories is given to those MSMEs scoring marks above 80% in all categories and 50% in case of North Eastern Region including Sikkim with a cash prize of Rs. 20,000/-, a Certificate and a Trophy.

(viii) National Award to Banks for Excellence in MSE Lending

1. First National Award : A Trophy and a Certificate

2. Second National Award : A Trophy and a Certificate

3. Special Award : A Trophy and a Certificate

(ix) National Award to Banks for Excellence in Micro Lending

1. First National Award : A Trophy and a Certificate

2. Second National Award : A Trophy and a Certificate

3. Special Award : A Trophy and a Certificate

Periodicity and Eligibility

The Awards are given for every calendar year to deserving entrepreneurs of Micro, Small and Medium Enterprises having permanent registration/have filed Entrepreneurs Memorandum with the authorities notified by respective State Governments/UT

Administration in accordance with the provisions contained in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which came into force on October 2, 2006. The MSMEs should have been in continuous production/service for last three years. There will be no bar for Awardees to be nominated or considered for a higher Award in the subsequent year. The Awardees should not be nominated or considered for the same or lower Award in the subsequent five year(s).

Procedure for Selection

(i) Applications from MSMEs are invited through Advertisement in National/Regional Newspapers, Website on DC(MSME). Applications are received at MSME-DIs in their respective States.

(ii) Applications are evaluated by State Level Selection Committee (SLSC) under the chairmanship of Secretary (Industries) of the respective states and recommended and forwarded to the O/o DC(MSME). Minimum Qualifying marks are 60% general categories and 50% in case of SC/ST and NER.

(iii) The applications recommended by SLSC are further scrutinized/ evaluated by Technical Officers of the O/o DC (MSME).

(iv) The applications are scrutinized and awardees are selected by National Level Selection Committee(NLSC) under the chairmanship of AS&DC with approval of Hon'ble Minister (MSME).

(v) The selection of banks for awards is made on the basis of criteria devised by the Standing Committee constituted under the Chairmanship of AS&DC(MSME).

Scheme for Capacity Building, Strengthening of Database and Advocacy by Industry/Enterprise Associations and for holding Seminar/Symposiums/Workshops by the Associations

It has been felt that the associations of Micro, Small and Medium Enterprise do not have adequate capacity to collect and interpret data relating to changes in the market scenario, owing to the limited availability of funds and the absence of expertise in the matter. As a result, their articulation of views on specific issues concerning to their product group leaves much to be desired. In spite of the fact that the Associations of the MSEs have been made members of the SSI Board and the members of the screening committee of certain national programmes for development of some products, their existing weakness prevent them from playing the expected role effectively. Even in their role as facilitators for their members in government assisted schemes like setting up of sub-contracting exchanges, testing laboratories etc., the capacity of these associations has been found to be deficient.

To strengthen their role and increase their efficiency, financial assistance has been proposed for the secretarial and advisory/ extension services of the selected associations depending on the size and the reach of the associations. The beneficiary association is to provide the regular manpower and office space at their own cost and also to bear 50

percent of the cost of modernization of their facilities, equipment and training of their personnel.

Under the scheme, National/Regional/State/Local level Industry Association, which are registered for at least 3 years and are having a regular charter, list of members and audited accounts etc; would be eligible for the financial assistance for strengthening of database as well as for conducting Seminars/Symposiums/Workshops.

The scheme provides assistance for strengthening of Database– Financial assistance for the Secretarial, Advisory/Extension services up to a maximum of Rs. 5 lakh and for organizing Seminars/ Symposiums/Workshops by the associations up to a maximum of Rs. 2 lakh.

CREDIT AND
TECHNOLOGY UPGRADATION

Micro & Small Enterprises–Cluster Development Programme (MSE-CDP)

Cluster based intervention has been acknowledged as one of the key strategies for comprehensive development of Indian industries, particularly the Micro and Small Enterprises (MSEs). The Ministry of MSME, Government of India has adopted the cluster approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of micro and small enterprises and their collectives in the country. In 1998, a cluster based scheme namely the Integrated Technology Upgradation and Management Programme (UPTECH) was launched to address the issues related to Technology Upgradation and Modernisation of MSE sector. Later on, it was felt that for overall development of a cluster, holistic approach needs to be adopted. Accordingly, UPTECH was renamed as 'Small Industry Cluster Development Programme' (SICDP) in the year 2003 and the scheme was broad-based by including setting up of Common Facility Centers, marketing support, etc. The cluster development initiatives have evolved over a period of time and are being implemented under Micro & Small Enterprises–Cluster Development Programme (MSE-CDP). The Ministry of MSME is also implementing another cluster mode scheme "Scheme of Fund for Re-generation of Traditional Industries" (SFURTI) for the benefit of traditional industries.

The MSE-CDP Scheme aims at holistic and integrated development of micro and small enterprises through Soft Interventions (such as diagnostic study, capacity building, marketing development, export promotion, skill development, technology upgradation, organizing workshops, seminars, training, study visits, exposure visits, etc.), Hard Interventions (setting up of Common Facility Centers) and Infrastructure Upgradation (create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs).

Objectives

(i) To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.

(ii) To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.

(iii) To create/upgrade infrastructural facilities in the new/existing industrial areas/clusters of MSEs.

(iv) To set up common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc).

Scope of the Scheme

(i) Preparation of Diagnostic Study Report with Government of India (GoI) grant of maximum Rs 2.50 lakh (Rs 1.00 lakh for field offices of the Ministry of MSME).

(ii) Soft Interventions like training, exposure, technology upgradation, brand equity, business development, etc with GoI grant of 75% of the sanctioned amount of the maximum project cost of Rs 25.00 lakh per cluster over a period of maximum 18 months. For NE & Hill States, clusters with more than 50% (a) micro/village, (b) women owned, (c) SC/ST units, the GoI grant will be 90%. The cost of project will be moderated as per size/ turnover of the cluster.

(iii)Detailed Project Report (DPR) with GoI grant of maximum Rs. 5.00 lakh for preparation of a technical feasible and financially viable project report for setting up of a Common Facility Centre for cluster of MSE units and/or infrastructure development project for new industrial estate/area or for upgradation of existing infrastructure in existing industrial estate/area/cluster.

(iv) Hard Interventions in the form of tangible assets like Common Facility Centre having machinery and equipment for critical processes, research and development, testing, etc. for all the units of the cluster with GoI grant of 70% of the cost of project of maximum Rs 15.00 crore. GoI grant will be 90% for CFCs in NE & Hill States, Clusters with more than 50% (a) micro/village, (b) women owned, (c) SC/ST units. The cost of project includes cost of land (subject to maximum of 25% of Project Cost), building, pre-operative expenses, preliminary expenses, machinery and equipment, miscellaneous fixed assets, support infrastructure such as water supply, electricity and margin money for working capital.

(v) Infrastructure Development: With GoI grant of 60% of the cost of project of Rs 10.00 crore, excluding cost of land. GoI grant will be 80% for projects in NE & Hill States, industrial areas/ estates with more than 50% (a) micro (b) women owned (c) SC/ST units. For existing clusters, upgradation proposals will be based on actual requirements.

(vi) Exhibition Centres by Associations of Women Entrepreneurs: The GoI assistance shall also be available to Associations of Women Entrepreneurs for establishing exhibition centres at central places for display and sale of products of women owned micro and small enterprises @ 40% of the project cost. The GoI contribution will be towards furnishings, furniture, fittings, items of permanent display, miscellaneous assets like generators, etc.

Implementing Agencies

Activity	Implementing Agency
Diagnostic study Soft Interventions Setting up of CFC	• Offices of the Ministry of MSME • Offices of State Governments • National and international institutions engaged in development of the MSE sector. • Any other institution/agency approved by the Ministry of MSME
Infrastructure Development projects	State/UT Governments through an appropriate state government agency with a good track record in implementing such projects.

Benefits of the Cluster Development Scheme

Cluster Development approach is considered as an effective approach for inducing competitiveness in the industry by ensuring inter-firm cooperation based on networking and trust. Due to geographical proximity of units and homogeneity/similarity of products, development interventions can be made for a large number of units and simultaneously leading to higher gains at lower cost of implementation. The approach also aims for sustainability in long run.

- helps overcome disadvantages of economies of scale and weak capital base
- increase competitiveness by leveraging the advantages of flexible structure and faster decision-making process
- better responsiveness to market challenges
- quicker dissemination of information
- sharing of best practices (organisational capabilities, skills, technological innovations)
- better cost effectiveness due to distribution of many common costs
- wider public appropriation of benefits

Project Approval

The proposals under the scheme will be considered for approval by the Steering Committee of the MSE-CDP under the Chairmanship of Secretary (MSME). Proposals for DSR, DPR and Soft Interventions will be approved in one stage only. Hard interventions (CFC) and infrastructure development projects will be approved in two stages: In-principle approval and final approval.

Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE)

Objectives

To ensure better flow of Credit to micro and small enterprises by minimizing the risk perception of financial institutions and banks in lending without collateral security, a Credit Guarantee Fund Scheme for Micro and Small Enterprises was introduced by the Government in August 2000.

Salient Features

(i) The Scheme is being implemented by the Credit Guarantee Fund Trust for Micro and Small Enterprises, set up jointly by the Government of India and Small Industries Development Bank of India (SIDBI). The Government of India and SIDBI contribute to the Corpus Fund of the Trust in the ratio of 4:1.

(ii) The Scheme became operational with effect from January 1, 2001.

(iii) All scheduled commercial banks and Regional Rural Banks (categorized under 'sustainable viability') or such of those institutions as may be directed by Government of India are eligible to become Member Lending Institutions under the Scheme.

(iv) The Scheme covers collateral free credit facility (term loan and/or working capital) extened by eligible lending institutions to new and existing micro and small enterprises upto Rs. 100 lakh per borrowwing unit. The guarantee cover provided is upto 75% of the credit facility upto Rs. 50 lakh with an incremental guarantee of 50% of the credit facility above Rs. 50 lakh and upto Rs. 100 lakh (85% for loans upto Rs. 5 lakh provided to micro enterprises, 80% for MSEs owned/operated by women and all loans to NER). One time guarantee fee of 1.5% of the credit facility sanctioned (0.75% for NER including Sikkim) and Annual Service Fee of 0.75% is collected from MLIs.

(v) 120 Banks and institutions, i.e., 26 public sector and 19 private banks, 63 RRBs, 4 foreign banks and 8 other institutions including NSIC, NEDFI, SIDBI have joined this scheme as Member Lending Institutions (MLIs).

Eligibility

(i) The scheme covers collateral free credit facility (term loan and/or working capital) up to Rs. 100 lakh extended by eligible lending institutions to new and existing micro and small enterprises.

(ii) The scheme is operated through Credit Guarantee Fund Trust for Micro and Small Enterprises, 7th Floor, SME Development Centre, Plot No. C-11, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051.

Micro Finance Programme

Objectives

The main objective of the Scheme is to provide credit at the door step to the poor and low income category people in the country to enable them to carry on business or manufacturing activities. The Scheme is operated through Micro Finance Institutions (MFIs)/Non-government Organisations (NGOs), who monitor the projects on regular basis. The Scheme is in operation from March 2004.

Salient Features

(i) The Scheme is implemented by Office of the DC (MSME) through SIDBI.

(ii) The Scheme has been tied up with the existing programme of Small Industries Development Bank of India (SIDBI), which is under operation since January 1999. 'Portfolio Risk Fund' is provided by the Government of India to SIDBI to be used for security deposit requirement of the loan amount from micro finance institutions/non-government organizations. At present, SIDBI takes fixed deposit equal to 10% of the loan amount. The share of MFIs/NGOs is 2.5% of the loan amount (i.e. 25% of security deposit) and balance 7.5% (i.e. 75% of security deposit) is adjusted from the funds provided by the Government of India.

(iii) A Committee under the chairmanship of Additional Secretary and Development Commissioner (MSME) has been constituted to review the progress, approve the adjustment of security, rotation of funds, etc.

(iv) The Scheme is operated through SIDBI.

Trade Related Entrepreneurship Assistance and Development (TREAD) Scheme for Women

The Ministry of Micro, Small & Medium Enterprises has launched a scheme Trade Related Entrepreneurship Assistance and Development (TREAD) for economic empowerment of women specially illiterate and semi-literate women of rural and urban areas for the development of their entrepreneurial skills in non-farm activities. The scheme provides loan from banks through NGOs to women of rural and urban areas. GoI grant is provided for capacity building of the NGO for trade related training, information and counseling, extension activities related to trades, products and services, etc. The scheme is purely women-specific.

Objectives

To help women entrepreneurs, specifically poor, illiterate and semi-illiterate women of rural and urban areas who are unable to avail credit due to various reasons, by involving NGOs to help them in getting credit, managing fund, trade related training and counseling, etc. and help NGOs by providing GoI grant for capacity building.

Salient Features

(i) Applicability : Scheme is applicable for women entrepreneurs engaged in non-farm activities only.

(iii) Credit : Assistance in the form of the Government of India (GoI) grant of upto 30 per cent of the total project cost, as appraised by the lending agency, is provided to the Non-governmental Organisations (NGOs) for promoting entrepreneurship among target groups of women. The remaining 70 per cent of the project cost is financed by the lending agency as loan to women entrepreneurs for undertaking activities as envisaged in the project. Training and Counseling : Selected training institutions and NGOs conducting training programmes for empowerment of women beneficiaries identified under this scheme can also avail GoI grant of upto Rs. 1 lakh per programme for imparting training to the women entrepreneurs, provided such institutions also bring their share of at least 25 per cent of the grant. However, NGOs from the North Eastern Region (NER) are allowed to conduct training programmes with a contribution of 10% share by the NGO.

Need-based GoI grant upto Rs. 5 lakh per project is provided to Institutions such as Entrepreneurship Development Institutes (EDIs), NIMSME, NIESBUD, IIE, MSME-DIs, EDIs sponsored by State Govt. and any other institution of repute primarily for undertaking field surveys, research studies, evaluation studies, designing of training modules etc.

Eligibility Requirement of an NGO

(a) Be a legal entity with a minimum registration period of three years.

(b) Having experience in thrift and saving programmes with Self-Help Groups (SHGs).

(c) Be engaged in income generation activities for women entrepreneurs.

(d) Have basic infrastructure, qualified support staff and services to undertake micro-enterprise development for women.

(e) Prior experience in preparing project proposals on behalf of women entrepreneurs/women SHGs for income generation activities and take loan from financial institutions for onward disbursement to them.

MSME Credit Monitoring Cell

Objectives

The Government has set up a MSME Credit Monitoring Cell in the Office of the Development Commissioner (MSME). The matters of MSMEs remaining unresolved with the Banks-SME Helpline for more than a fortnight brought to the notice of the Cell would be taken up with the bank concerned for early resolution.

Salient Features

- The Monitoring Cell has been jointly set up by the Ministry of MSME and Department of Financial Services.
- The Monitoring Cell would entertain such cases that have been referred to the Cell after having not been resolved by Bank–SME Helpline within 14 days.
- The petition/grievance so received would be forwarded to the concerned Bank by the Cell for appropriate action and report within a fortnight.

MSMEs may contact the Cell at Telefax: 011-23062465, email id: creditmon@dcmsme.gov.in or at Room No. 734 B, 7th Floor, A-Wing, Nirman Bhawan, Maulana Azad Road, New Delhi-110 108 for lodging such grievances. More details of the Cell are available on the website of the Development Commissioner (MSME) (www.dcmsme.gov.in).

Performance and Credit Rating Scheme

Objectives

This Scheme was launched in the year 2005. NSIC has been appointed as implementing agency for the Scheme by the M/o MSME.

Under the Scheme, seven renowned accredited rating agencies viz., CARE, CRISIL, Dun & Bradstreet (D&B), FITCH, ICRA, ONICRA and SMERA have been empanelled to carry out the rating. MSMEs are free to choose any one of them as per their convenience.

Salient Features

The Scheme is aimed to create awareness among micro and small enterprises (MSEs) {medium enterprises are not included under the Scheme} about the strengths and weaknesses of their existing operations and to provide them an opportunity to enhance their organizational strengths and credit worthiness. The rating under the scheme serves as a trusted third party opinion on the capabilities and creditworthiness of the micro and small enterprises. An independent rating by an accredited rating agency has a good acceptance from the banks/financial institutions, customers/buyers and vendors. Under this scheme, rating fee payable by the micro and small enterprises is subsidized for the first year only subject to a maximum of 75% of the Fee or Rs. 40,000/-, whichever is lower.

Credit Linked Capital Subsidy Scheme for Technology Upgradation (CLCSS)

Objectives

The Ministry of Micro, Small & Medium Enterprises (MSME) is operating a Scheme, namely, Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation by providing 15 per cent upfront capital subsidy with effect from 29.09.2005 (12 per cent prior to 29.09.2005) to micro and small enterprises on institutional finance (term loan) from the eligible Primary Lending Institutions (PLIs) for induction of well-established and improved technologies in the specified sub-sectors/products approved under the Scheme. The Scheme is implemented through the Small Industries Development Bank of India (SIDBI), the National Bank for Agriculture and Rural Development (NABARD), the State Bank of India, the Andhra Bank, the State Bank of Bikaner & Jaipur, Bank of Baroda, Punjab National Bank, Canara Bank, Bank of India and the Tamilnadu Industrial Investment Corporation Limited. The period of operation of Scheme has been extended till end of 11th Five Year Plan.

Salient Features

(i) Technology upgradation under the scheme would mean significant improvement from the present technology level to a substantially higher one involving improved productivity, and/or improvement in the quality of the products and/or improved environmental conditions including work environment for the units. This will also include installation of improved packaging techniques, anti-pollution measures, energy conservation machinery, on-line quality control equipments and in-house testing facilities.

(ii) Forty-nine sub-sectors have been approved under the scheme.

(iii) The scheme is gradually widened by adding new sub-sectors and new technologies for assistance.

(iv) The financial assistance by way of 15 per cent subsidy under the scheme is subject to ceiling on eligible term loan of Rs. 100 lakh i.e. the ceiling on the subsidy is Rs. 15 lakh.

(v) The eligible amount of subsidy is calculated at the rate of 15 per cent of the cost of eligible investment in plant and machinery where term loans have been sanctioned by the Primary Lending Institutions (PLIs) on or after 29.09.2005. In earlier cases, it was 12 per cent of eligible term loan subject to other terms and conditions which were prevalent prior to 29.09.2005.

Eligibility

(i) Capital subsidy at the rate of 15 per cent of the eligible investment in plant and machinery under the Scheme shall be available for such projects,

where term loans have been sanctioned by eligible PLI on or after 29.09.2005.

(ii) Eligible units graduating from small scale to medium scale on account of sanction of additional loan under CLCSS shall be eligible for assistance.

(iii) Labour intensive and/or export oriented new sectors/ activities are considered for inclusion under the scheme.

Quality Upgradation in Micro and Small Enterprises through Incentive for Acquiring

ISO 9001/ISO 14001/HACCP Certification

Objectives

To encourage technological upgradation and quality improvement in micro and small enterprises and prepare them to face the global competition, the Office of the Development Commissioner (MSME) has introduced the Incentive Scheme for ISO 9001/ISO14001/HACCP certifications.

Salient Features

The scheme provides for reimbursement of 75% of the Certification expenses up to a maximum of Rs. 75,000/- to each unit as one-time reimbursement. The scheme is applicable only to those micro and small enterprises which have already acquired ISO 9001/ISO 14001/ HACCP Certifications. The scheme has been extended up to March 31, 2012.

Reimbursement

Reimbursement under the scheme has been decentralized w.e.f. 01.04.2007 and subsidy is being reimbursed through Micro, Small and Medium Enterprises-Development Institutes (MSME-DIs, formerly SISIs) all over India.

Eligibility

All micro and small enterprises with Entrepreneurial Memoranda (EM) Number and ISO Certificate with National Accreditation Board for Certification Bodies Accreditation (NABCB) only are eligible to avail the benefit. ISO Certificate issued by BIS for a period of 1-4-2010 to 31-3-2011 with Raad Voor Accreditation (RVA) Netherlands Accreditation are also eligible for reimbursement.

VSBK Technology for Adoption and Promotion in Brick Manufacturing Units

A Plan Scheme, namely, Adoption of VSBK Technology in Brick Manufacturing Units under Package for Promotion of Micro and Small Enterprises is under implementation.

In the recent years, the housing sector has been witnessing rapid growth due to higher demand and availability of cheap credit. This in turn has led to high demand for bricks. Bricks are at present manufactured nearly in thirty major clusters of MSEs by employing a highly energy intensive technology. The manufacturing process has a vast potential of technological upgradation to make it more energy efficient and eco-friendly. The adoption of the Vertical Shaft Brick Kiln technology can lead to substantial reduction in cost by energy conservation. It would also lead to reduction of green house gas emissions. The Government has, therefore, approved a scheme under Package for Promotion of Micro and Small Enterprises to establish five demonstration VSBK units by upgrading the functional kilns and promote the use of this technology under the Credit Linked Capital Subsidy Scheme with 30% capital subsidy to the MSEs, subject to a ceiling of Rs. 2 lakh per unit.

The programme is being implemented in the selected clusters of brick manufacturing units in the States of MP, Chhattisgarh, Jharkhand, Orissa and Rajasthan. MSME-DIs, Cuttack, Indore, Ranchi, Jaipur and Raipur are the coordinating agencies for implementation of the programme.

The programme also involves organization of seminars/workshops by MSME-DIs to introduce the technology and showcasing the technology by conducting tours of entrepreneurs at the sites of technology providers and entrepreneurs where successful units of VSB Kilns are already in operation. Interested entrepreneurs will be able to undergo various training courses on VSBK technology in their respective areas for upgradation of their knowledge. The progress of this Scheme is given below:

1. No. of Demo Plants set up till date in Chhattisgarh, Orissa, Rajasthan and Madhya Pradesh : 4
2. No. of Seminars/Workshops organised for awareness of Brick manufacturing owners : 26
3. No. of training programmes organised : 18
4. No. of exposure visits organised : 5
5. No. of Testing Labs. set up till date in Orissa and Madhya Pradesh : 2

Setting up of the Training-cum-Product Development Centres (TPDCs)

The Ministry of Micro, Small & Medium Enterprises announced Package for Promotion of Micro & Small Enterprises in 2006. Under technology and quality upgradation support of the Package, four Training-cum-Product Development Centres (TPDCs) are being set up for Agro and Food Processing Industries within the campus of MSME-Development Institutes at Ludhiana, Kanpur, Indore and Guwahati within a cost of Rs.4.57crore. The scheme has been revised in September 2009.

Objectives

The main aim for setting up of these centres is to improve the quality of the training and product manufacturing process demonstration during training courses and to establish the testing facilities to improve the quality of food products as per IS Specification/Standard Specification prescribed for Agmark/food safety system. This will help the entrepreneur for seting up/upgrade the enterprise after completing the training course. The detailed objectives of these centres are as under:

(i) To provide training and exposure regarding principles and methods of food preservation/processing such as fruits and vegetables, bakery, confectionery products etc.

(ii) To upgrade the skill of personnel of micro, small and medium enterprises regarding processing and preservation of food products.

(iii) To provide appropriate technology and training to the growers and entrepreneurs of micro, small and medium enterprises regarding processing of seasonal fruits and vegetables and reducing post harvest loses.

(iv) To create self-employment opportunity to the unemployed youth at rural level by setting up micro and small enterprises.

(v) To provide job oriented skill and training (different duration course) in food processing industry for young graduates.

(vi) To act as a community training centre and provide services to the public for preparation of products.

(vii) Capacity building by training of trainers including the officers of SIDO in the field of food processing industries.

(viii) Resource centre of training material such as video films, books, magazines, brochures etc. related to food processing industries.

SCHEMES OF THE NATIONAL MANUFACTURING COMPETITIVENESS PROGRAMME (NMCP)

The National Manufacturing Competitiveness Programme (NMCP)

The Government with an objective to support the manufacturing sector, particularly the Micro, Small and Medium Enterprises (MSMEs) in their endeavour to become competitive announced in 2005-06 formulation of 'National Manufacturing Competitiveness Programme'.

Accordingly, the National Manufacturing Competitive Council (NMCC) in close cooperation with the Ministry of Micro, Small and Medium Enterprises, conceptualized and finalized the National Manufacturing Competitiveness Programme (NMCP). The NMCP, as conceptualized by the NMCC was accepted by the Government and announced for implementation in the Budget 2006-07, para 68 of which states as under:

"The National Manufacturing Competitiveness Council (NMCC) has finalised a five-year National Manufacturing Competitiveness Programme. Ten schemes have been drawn up including schemes for promotion of ICT, Mini Tool Room, Design Clinics, Lean Manufacturing, Bar Code, QMS/QTT and Marketing Support for MSMEs. Implementation will be in the PPP model with a financial contribution from SPV/association/MSME units".

Features of the NMCP

The NMCP specified the need of enhancing the competitiveness, which is determined by the productivity with which a nation uses its human, capital and natural resources in optimal way, of the Indian manufacturing sector. The global competitiveness being a multi-dimensional concept depends upon three main sets of factors – all taken together:

- Country specific advantages – related to technological, financial and other infrastructural status of the economy vis-à-vis thrust of highly developed economies, where major competitors are located;
- Industry specific advantages – related to the type of industry where competitiveness is also affected by various fiscal and monetary policies which can change from time to time; and
- Industry specific advantages – related to a particular company, like the ability to acquire, assimilate, develop new technologies, capabilities to reduce production costs, cut down delivery cycles, enhancing quality & productivity and after-sales service, etc.

The NMCP recognizes the fact that the Micro, Small and Medium Enterprises (MSMEs) are the backbone of the manufacturing sector, as their contribution is 40%. In the interest of the growth of national economy, to enhance the competitiveness of the MSMEs manufacturing sector is essential. The MSME sector requires special attention because of the opening and liberalization of the economy since 1991 (earlier the sector existed in a relatively sheltered environment) and change in the tariff regime. Accordingly, the NMCP stressed need to ensure supportive measures to ensure that the MSMEs could

sustain both the external and internal challenges due to this fast growing economic scenario and to enable them to obtain economies of scale. The NMCP advocates removal of anomalies, lower incidence of indirect tax, lower transaction cost, low cost of capital, provision of infrastructure facilities and development, strengthening education and skill building, investing in innovations and technology, enhancing the role of Intellectual Property Rights (IPRs) and usage of information and communication technology (ICT), industrial design, building competitiveness through cluster approach, awareness programmes for MSMEs and research studies, quality management, benchmarking of standards in the manufacturing sector, etc. While drawing such conclusions, the Programme has made detailed global analysis of the Indian Manufacturing Sector with other developed countries like USA and other countries and have given elaborate rationale behind each and every proposal and deliberated at length on having a comprehensive policy package to enhance the competitiveness of the MSMEs.

Components Recommended for Implementation under NMCP

With an objective to revive the manufacturing sector, particularly the Micro, Small and Medium enterprises and enable them to enhance their competitiveness in the global market, the following Ten Components have been approved under the NMCP

Promotion of Information and Communication Technology (ICT) in MSME Sector

The manufacturing industry is witnessing an increasing turbulent, dynamic and complex business scenario. The lowest entry barriers across countries, complex cost structures and relentless pursuit of customer satisfaction in response to rising expectations and adoption of Information and Communication Technology (ICT) compared to other nations has resulted in loss of global competitive advantage.

The scheme envisages for a planned model of IT adoption in potential MSME clusters based on need analysis of stake holders. Under the scheme 100 MSME clusters will be benefitted.

Objectives

The objective of the scheme is to carry out diagnostic mapping of potential clusters and motivate them to adopt the ICT tools and applications for their production and business processes, with a view to improve their competitiveness in national and international market. The scheme will facilitate in extending the support of basic ICT infrastructure to MSMEs, sensitizing MSMEs with potential businesses of ICT tools, standardization of the business processes/ activities, incentivizing MSMEs and software partners for long term partnership in ICT adoption etc.

Activities

The broad activities planned under the scheme include, identifying target cluster for ICT intervention, setting up of E-readiness infrastructure, developing web portals for clusters, skills development of MSME staff in ICT application, preparation of local software solution for MSMEs to enhance their competitiveness, construction of e-catalogue, e-commerce etc. and networking MSME cluster portal on to National level Portal in order to outreach MSMEs into global markets.

Salient Features

(i) Selection of target clusters,

(ii) Appointment of Technology Providers,

(iii) Awareness Programme and Feasibility Report,

(iv) Preparation of Detailed Project Report (DPR),

(v) Setting up of e-Readiness Centres,

(vi) Subsidy for procurement of hardware and software,

(vii) Establishment of National Portal for MSMEs,

(viii) Evaluation/Impact assessment studies.

Where and How to Apply

Interested MSME clusters/units may send their request to the office of DC (MSME).

The guidelines of the scheme is available at www.dcmsme.gov.in

Lean Manufacturing Competitiveness Scheme (LMCS)

Under the Scheme, MSMEs will be assisted in reducing their manufacturing costs through proper personnel management, better space utilization, scientific inventory management, improved processed flows, reduced engineering time etc. The scheme also brings improvement in the quality of products and lowers costs, which are essential for competing in national and international markets. The larger enterprises in India have been adopting Lean Manufacturing Programme (LMP) to remain competitive, but MSMEs have generally stayed away from such Programmes as they are not fully aware of the benefits. Besides, experienced and effective Lean Manufacturing Consultants are not easily available and are expensive to engage and hence most MSMEs are unable to afford to implement LMCS.

Objectives

The objectives of scheme are to increase the competitiveness of the MSME sector through the adoption of LM techniques with the objective of reducing waste, increasing productivity, introducing innovating practices for improving overall competitiveness, inculcating good management system and imbibing a culture of continuous improvement

Activities

(a) Organising awareness programme in clusters,

(b) Formation of SPV with a group of 10+/-2,

(c) Deployment of lean consultants in SPV.

Where and How to Apply

Eligible MSME clusters/units in a group of 10+/-2 may request directly to either National Productivity Council, New Delhi or Office of DC(MSME).

The guidelines of the scheme are available at www.dcmsme.gov.in

Design Clinics Scheme for MSMEs

In the Design Clinic scheme, the value additions to an idea or a concept are imparted through interaction at a lesser cost to a specific industry/sector. It applies to a sector that requires intervention, like manufacturing etc, as the existing conventional models of design consultancy and training are not viable. These models bring design exposure to the door-step of industry clusters/units for design improvement, evaluation, analysis and adopting even long-term consultancy/design related intervention.

Objectives

The main objective of the Design Clinic is to bring the MSME sector and design expertise into a common platform, to provide expert advice and solutions on real time design problems, resulting in continuous improvement and value addition for existing products. It also aims at value added cost effective solutions. It also includes to create a sustainable design, eco-system for the MSME sector through continuous learning and skill development and to promote use of design by MSMEs for developing products and services which are market led.

Activities

The broad activities planned under the scheme include setting up of Design Clinics Headquarter along with 4 regional centres for intervention on the design needs of the MSME Sector. Further these centres will have linkages with engineering, management, design institutes of the country. It also includes to organize a seminar, workshops in clusters and providing Government of India financial assistance for the individual/group of MSME units.

The funding support will be given by way of a grant upto a maximum of 60% of the total approved project cost or Rs.9 lakhs, whichever is less, in case of a individual MSME or a group of not more than 3 MSME applicants. Similarly, the funding support will be given by way of a grant upto a maximum of 60% of the total approved project cost or Rs.15 lakhs whichever is less, in case of a group of 4 or more MSME applicants. The scheme shall also support design work of final year full time undergraduate, or post graduate by reimbursing 75% of expenses incurred subject to a maximum of Rs.1.5 lakh for the projects done for MSME under the supervision of Parent Design Institution.

Where and How to Apply

Eligible MSME clusters/units may request directly to either National Institute of Design, Ahmedabad or Office of DC (MSME).

The guidelines of the scheme are available at www.dcmsme.gov.in

Marketing Assistance and Technology Upgradation Scheme for MSMEs

Marketing, a strategic tool for business development is critical for the growth and survival of MSMEs. Marketing is most important factor for the success of any enterprise. It is one of the weakest area wherein MSMEs face major problems in the present competitive age. Due to lack of information, scarcity of resources and unorganized way of selling/marketing, MSME sector finds problems in exploiting new markets.

Objectives

The objective of this programme is to enhance MSMEs competitiveness in the National as well as International market through various activities. The programme aims at improving the marketing competitiveness of MSME sector by improving their techniques and technologies' promotion of exports and to provide a check on imports also.

Activities

The broad activities planned under the scheme include Technology upgradation in packaging, Skills upgradation/Development for Modern Marketing Techniques, Competition Studies, Special components for North Eastern Region (NER), New markets through state/district level, local exhibitions/trade fairs, Corporate Governance Practices, Marketing Hubs and Reimbursement to ISO 18000, ISO 22000, and ISO 27000 Certification.

Where and How to Apply

The applicant MSME units will submit its claim along with required documents to the local MSME-DI office for reimbursement in the prescribed format in respect of the activities; New markets through State/District level local exhibitions/trade fairs, special component for NER (participation of MSME units in the exhibition organized outside the NER), corporate governance practices and reimbursement to ISO-18000/22000/27000 certification.

The guidelines of the scheme are available at www.dcmsme.gov.in

Enabling Manufacturing Sector to be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT)

The scheme is aimed at improving the quality of the products in the MSE sector and inculcates the quality consciousness in this sector. With the adoption of this scheme, MSEs will become more competitive and produce better quality products at competitive prices. The adoption of these tools will enable MSEs to achieve efficient use of resources, improvement in product quality, reduction in rejection and rework in the course of manufacturing, reduction in building up inventory at various stages etc.

Objectives

The objective of the scheme is to sensitize and encourage MSEs to adopt latest QMS and QTT and to keep a watch on sectoral developments by undertaking the stated activities.

Activities

The main activities to be undertaken under this scheme are:

(a) Introduction of Appropriate Modules for Technical Institutions,

(b) Organizing Awareness Campaigns for Micro and Small Enterprises,

(c) Organizing Competition-Watch (C-Watch),

(d) Implementation of Quality Management Standards and Quality Technology Tools in Selected Micro and Small Enterprises,

(e) Monitoring International Study Missions.

The scheme will be implemented through expert organizations like Quality Council of India(QCI), Consultancy Development Corporation (CDC), National Productivity Council (NPC), Indian Institute of Quality Management (IIQM) and Standardization, Testing and Quality Certification (STQC).

Where and How to Apply

Eligible MSME clusters /individual units may request to the Office of DC (MSME) or local MSME-DIs directly.

The guidelines of the scheme are available at www.dcmsme.gov.in

Technology and Quality Upgradation Support to Micro, Small and Medium Enterprises (TEQUP)

Quality and Technology Upgradation have emerged as the two important attributes in enhancing competitiveness for any manufacturing industry. While the large industries having adequate linkages with the global markets and access to cheaper funds through various financial instruments, perceive the need and develop a strategy for continuous technology and quality upgradation for Indian MSME sector. With limited access to funds, MSMEs are forced to think short term, make products which need minimum capital investment and produce them at a lowest cost. This approach has brought the Indian MSME suppliers to the lower end of the global value chain and they have mostly become uncompetitive.

Objectives

The objective of the Scheme is to sensitize the manufacturing (MSME) sector in India to the use of energy efficient technologies and manufacturing processes so as to reduce cost of production and the emissions of Green House Gases (GHGs). The second objective will be to improve the product quality of MSMEs and to encourage them towards becoming globally competitive through certification of products to national and international standards.

Activities

1. Capacity Building of MSME Clusters for Energy Efficiency/ Clean Development Mechanism,

2. Implementation of Energy Efficient Technologies and other technologies mandated as per the global standards in MSMEs,
3. Setting up of Carbon Credit Aggregation Centres (CCA) for introducing and Popularising Clean Development Mechanism (CDM) in MSME clusters,

4. Encouraging MSMEs to acquire Product Certification Licenses from National/International Bodies.

The expert organizations/agencies like BEE, TERI, UNIDO will be involved in these activities.

Where and How to Apply

Eligible MSME clusters/individual units may submit applications to the Office of DC(MSME) or local MSME-DIs directly.

The guidelines of the scheme are available at www.dcmsme.gov.in

Marketing Support/Assistance to MSMEs (Bar Code)

Bar Coding is a universally accepted concept consisting of a series of parallel vertical lines (bars and space) capable of being read by bar code scanners. It is used worldwide as part of product packages, price tags, carton labels, invoices and even in credit card bills. It generates a wealth of relevant data when read by scanner.

Objectives

The basic objective of granting financial assistance to the Micro and Small Enterprises (MSEs) is to enhance their marketing competitiveness by motivating and encouraging them for use of Bar Codes.

Eligibility

MSEs who have Entrepreneur's Memorandum Par t-II, Acknowledgement Number from State Directorate of Industries/ DICs and also have registration with GS1 India for the use of Bar Codes.

Target Group

Micro and Small Enterprises (MSEs) throughout the country.

Financial Assistance

The financial assistance is provided to MSEs towards 75% reimbursement of annual recurring fee (for first three years) paid by them to GS1 India for use of Bar Coding w.e.f. 1st June, 2007 under NMCP Scheme. In addition to this, 75% reimbursement of one-time registration fee is also provided under SSI-MDA Scheme w.e.f.,2002.

Implementing Agency

Office of the Development Commissioner (MSME) through its field offices i.e. Micro, Small & Medium Enterprise–Development Institutes (MSME-DIs) spread throughout the country.

Where and How to Apply

Eligible MSEs may apply to the Director, Micro, Small & Medium Enterprises – Development Institutes (MSME-DIs) of their region in prescribed application form for claiming reimbursement on Bar Code. Application Form may be collected from Director, MSME-DI of their region and are also available on this office Website www.dcmsme.gov.in. For further information/ enquiries, MSEs may contact to the Director, MSME-DIs of their region.

Setting up of Mini Tool Rooms under Public-Private-Partnership (PPP) Mode

Objectives

The Ministry of MSME, Government of India is implementing the scheme Setting up of New Mini Tool Rooms under Public-Private-Partnership (PPP) Mode by rendering financial assistance to Private Partners/States/State Agencies during XIth Plan. The objective of the scheme is to develop more tool room facilities, i.e., technological support to MSMEs by creating capacities in the private sector for designing and manufacturing quality tools and also to provide training facilities in the related areas.

Implementation

The scheme will be implemented in the following 3 models in order of preference:

Model No.	Tool Room to be Implemented and Managed by	Quantum of Government of India Financial Assistance available under the Model
I.	Individual enterprises, Consortium of enterprises, Industry Association, Enterprise(s)/Industry Association jointly with the State Government (Centre PPP Model)	To meet the viability gap on a case-to-case basis and it will be restricted to 40% of the project cost (not exceeding Rs. 9.00 crore)
II.	SPVs set up by States in partnership with private partners. (State PPP Model)	90% of the cost of machinery and equipment restricted to Rs. 9.00 crore
III.	State Govt. or State Agencies, (Centre-State Model)	90% of the cost of machinery and equipment restricted to Rs. 9.00 crore

Building Awareness on Intellectual Property Rights (IPR)

Objectives

Under the National Manufacturing Competitiveness Programme (NMCP) to enhance the competitiveness of the SMEs sector, O/o DC(MSME) is implementing a scheme Building Awareness on Intellectual Property Rights (IPRs) for the MSME. The objective of the scheme is to enhance awareness of MSME about Intellectual Property Rights (IPRs) to take measure for the protecting their ideas and business strategies. Effective utilization of IPR tools by MSMEs would also assist them in technology upgradation and enhancing competitiveness. Accordingly, to enable the MSME sector to face the present challenges of liberalization, various activities on IPR are being implemented under this scheme. These initiatives will provide MSME sector more information, orientation and facilities for protecting their intellectual powers.

Salient Features

Under this programme financial assistance is being provided for taking up the identified initiatives. The main activities and maximum Government of India grant under this scheme cover the following broad areas of interventions:

Sl. No.	Activity	Maximum Grant per Application/Proposal (Rs. in lakh)
(a)	Awareness/Sensitization Programmes on IPR	1.00
(b)	Pilot Studies for Selected Clusters/Groups of Industries	2.50
(c)	Interactive Seminars/Workshops	2.00
(d)	Specialised Training: (i) Short terms (ST)	(i) ST-6.00

	(ii) Long term (LT)	(ii) LT-45.00
(e)	Assistance for Grant on Patent/GI Registration: (i) Domestic Patent (ii) Foreign Patent (iii) GI Registration	 0.25 2.00 1.00
(f)	Setting up of 'IP Facilitation Centre for MSME'	65.00
(g)	Interaction with International Agencies: (i) Domestic Intervention (ii) International Exchange Programme	 5.00 7.50

These initiatives are being implementing through Public-Private-Partnership (PPP) mode to encourage economically sustainable models for overall development of MSMEs. Eligible applicants/ beneficiaries will have to contribute minimum 10% of the GoI financial support for availing assistance under the scheme. The detail guidelines, eligibility criteria, funding pattern and prescribed format etc. are available on this office website www.dcmsme.gov.in.

Support for Entrepreneurial and Managerial Development of SMEs through Incubators

Objectives

The main objective of the scheme is to assist incubation of innovative business ideas that could be commercialized in a short period of time, resulting in the formation of micro, small and medium enterprises (MSMEs) that have distinctive presence in the market. The scheme is operational since April 2008.

Salient Features

- l The scheme aims at nurturing innovative business ideas (new/ingenious technology, processes, procedures, etc), which could be commercialized in a year.

- l Under the scheme, 100 Business Incubators (BIs) located in various technical/managerial institutions, reasearch labs, etc. are to be provided financial suppport for incubating new/innovative ideas over a period of 4 years
of 11th Plan. Each BI is expected to help incubation of 10 new/innovative ideas or units. However, the scheme provides for flexibility with regard to having more than one BI in the same institute and where required, less than 10 or more than 10 ideas/units hosted in a BI.

- l The BIs supported under the scheme are to extend support services to the incubatees, which may include technology fee, guidance fee for mentors/handholding persons, hiring or leasing cost of machinery/equipment/instruments or related services, office facilities, infrastructural facilities, etc.

- The scheme is implemented in a Public-Private-Partnership (PPP) mode with expected participation of 15% (in case of micro enterprises) and 25% (in case of small enterprises).
- Details of the scheme guidelines, application forms, approved institutes, etc. are available at link http:// www.dcmsme.gov.in/scheme/supportforemdti.html.

MARKETING AND EXPORT PROMOTION

Vendor Development Programme for Ancillarisation

Objectives

Vendor Development Programmes (VDPs) are being organized by MSME-Development Institutes located in every corner of the country to provide common platform for business as well as selling organizations to interact with each other with a view to identifying emerging demands of the buyer organizations while simultaneously providing an opportunity for displaying the capabilities of the small scale entrepreneurs and their industrial ventures. Such programmes have proved to be of immense use in locating suitable entrepreneurs by a number of buying organizations including the Public Sector Enterprises, various Wings of Defence, Railways and others in indigenizing a number of products which hitherto have been imported at a colossal cost.

Salient Features

Two types of VDPs are being organised by MSME-DIs – National Level VDPs-cum-Exhibitions and State Level VDPs. In National Level VDPs of 3 days duration, large scale organisations such as BEL, BHEL, TELCO, BSNL, IOC, NHPC, NTPC etc. interact with MSEs in establishing potential vendors. In these National Level VDPs, an exhibition is also put up for displaying the products of MSMEs and large scale organizations. In State Level VDPs, only one or two buying large scale organizations functioning in the State participate in the programme and interact with MSMEs (sellers) in the Buyer-Seller Meets. Business enquiries are being generated through National Level VDPs/State Level VDPs.

Eligibility

All Micro, Small, Medium and Large Enterprises can participate in the Vendor Development Programmes.

Participation in the International Exhibitions/Fairs

The Office of the Development Commissioner (MSME) has been participating in some of the select International Exhibitions/Fairs since 1985 through ITPO/EPC/Trade Apex Body etc. It is purely promotional scheme to give exposure to the small scale units which otherwise are not in a position to participate in the exhibitions/fairs at their own cost. Under the scheme, exhibits of the selected export-worthy units are displayed in the exhibition that provides an opportunity to MSE units in demonstrating their capabilities before the international community. On an average, this Office has been participating in 14 numbers of International Exhibitions/Fairs abroad every year and 130 MSEs units have been benefited. For confirm participation, the units of General Category have to send 50% of space hiring charges of their booked space through MSME-DIs by a DD favouring PAO (MSME), New Delhi at least one month advance of the commencement of the event. However, women, SC&ST, entrepreneurs from North Eastern Region need only to pay 50% space rental charges as security deposit which will be refunded to them after participating the fair. The participating units will also carry/ manage their exhibits (to and

fro) including custom clearance etc. Participating units may avail financial benefits under SSI-MDA scheme. Participating units are selected by Director, MSME-DIs.

Market Development Assistance Scheme for MSE Exporters (SSI-MDA)

As part of the comprehensive policy package for MSEs, SSI-MDA scheme has been announced in August 2000 which came into operation w.e.f. 30th August, 2001.

With a view to increase participation of representatives of participating units in International Trade Fairs/Exhibitions, the provision of SSI-MDA Scheme has been as under:

Objectives

(i) To encourage small and micro exporters in their efforts at tapping and developing overseas markets.

(ii) To increase participation of representatives of small and micro manufacturing enterprises under MSME INDIA stall at International Trade Fairs/Exhibitions.

(iii) To enhance export from small and micro manufacturing enterprises.

Permissible Subsidy

(i) The Government of India will reimburse 75% of air fare by economy class and 50% space rental charges for micro and small manufacturing enterprises of general category entrepreneurs.

(ii) For women, SC/ST entrepreneurs and entrepreneurs from North Eastern Region, the Government of India reimburses 100% of space rent and economy class air fare.

(iii) The total subsidy on air fare and space rental charges will be restricted to Rs. 1.25 lakh per unit.

Other Conditions

(i) Assistance shall be available for travel by one permanent employee/Director/Partner/Proprietor of the MSE unit in economy class.

(ii) Space allocation will be made by O/o the DC (MSME) at its discretion and the decision will be final and binding.

(iii) The offer is available on first come first serve basis till space is available.

Training Programme on Packaging for Exports

Objectives

Packaging plays a very important part in the present day marketing, especially the export marketing. It is no more considered only for protection and preservation of products, but is also an essential media for marketing and sales promotion.

Salient Features

To educate MSEs entrepreneurs about the scientific packaging techniques, latest design of packaging technology and improve their packaging standards and to highlight the importance of packaging in marketing, this office has been organizing specialized training progrmmes on packaging for exports for MSE units through field offices i.e. MSME-DIs in collaboration with Indian Institute of packaging (IIP), Mumbai and other such institutions since the year 1979.

In the financial year 2009-10, 25 training programmes for three days period have been conducted benefiting 798 entrepreneurs and incurred an expenditure of Rs. 13.82 lakh out of the Budget allocation of Rs.15.00 lakh. A budget of Rs.15.00 lakh has been provided during the current year to organize training programmes on packaging and a financial sanction of Rs. 14.98 lakh has been issued to 30 MSME-DIs for conducting 34 such programmes. Total provision of Rs.75.00 lakh has been marked for the 11th Five Year Plan period.

WTO Sensitization Workshop

A separate WTO Cell in the Office of Development Commissioner (MSME) was set up on 15.11.1999 to co-ordinate the latest developments regarding the WTO. The basic objectives of the cell inter-alia include: (a) to keep abreast with the recent developments in WTO, (b) to disseminate information to MSME Associations and MSEs units about the various provisions of the WTO, (c) to coordinate with other Ministries and Departments of the Govt. of India on issues pertaining to the likely impact of WTO for the MSE sector, (d) to fine tune the existing policy and programmes for micro, small and medium enterprises in line with the WTO Agreements, and (e) to organize WTO Workshops/Seminars for micro, small and medium scale industries for creating awareness.

With a view to create awareness among the MSMEs, MSME Associations and other stakeholders on WTO Agreements and its implications for them, Ministry of MSME is organizing one-day Sensitization workshops/seminars all over the country since the year 2000. 77 such workshops/seminars have been organized. As part of this endeavour, nine WTO awareness workshops were organized benefiting 665 entrepreneurs and incurred an expenditure of Rs. 4.86 lakh out of budget allocation of Rs. 5.00 lakh for the financial year 2009-10. A budget of Rs. 5.00 lakh has been provided during the current year to organize eight WTO awareness programmes and a financial sanction of Rs. 3.00 lakh has

already been issued to 5 MSME-DIs to conduct 5 WTO awareness programmes. Total provision of Rs. 25.00 lakh has been marked for the 11th Five Year Plan period.

Marketing Assistance Scheme

Objectives

This is an ongoing scheme for providing support to MSMEs. NSIC is the implementing agency on behalf of the M/o MSME. The main objectives of the scheme is to enhance the marketing competitiveness of MSMEs; to provide them a platform for interaction with the individual/institutional buyers; to update them with prevalent market scenario and to provide them a forum for redressing their problems. Marketing, a strategic tool for business development, is critical for the growth and survival of MSMEs in today's intensely competitive market. One of the major challenges before the MSME sector is to market their products/services. MSMEs are supported under the Scheme for capturing the new market opportunities through organizing/participating in various domestic and international exhibitions/trade fairs, buyer-seller meets, intensive campaigns and other marketing events.

Salient Features

Under this scheme, MSMEs are given financial assistance to participate in international/national exhibitions/trade fairs at the subsidized rates to exhibit and market their products. Participation in the marketing events provides MSMEs an exposure to the national/ international markets.

Bulk and departmental buyers such as the Railways, Defence, Communication departments and large companies are invited to participate in Buyer-Seller Meets to bring them closer to the small enterprises for enhancing their marketing competitiveness. These programmes are aimed at vendor development from small enterprises for the bulk manufacturers. Intensive campaigns and other marketing events are organized all over the country to disseminate/propagate about the various schemes for the benefit of the micro and small enterprises and to enrich their knowledge with respect to the latest developments, quality standards etc.

Government Purchase and Price Preference Policy for MSEs

Objectives

In order to provide assistance and support to Micro & Small Enterprises (MSEs) for marketing their products under the present Government Purchase and Price Preference Policy for Micro & Small Enterprises (MSEs), Government of India has been extending various facilities to the MSEs registered with National Small Industries Corporation (NSIC) under its Single Point Registration Scheme. In addition to the facilities, 358 items are also reserved for exclusive purchase from MSE sector.

National Small Industries Corporation Ltd. (NSIC) and Its Schemes

National Small Industries Corporation (NSIC) Ltd., an ISO 9001 certified Company, was established by the Government of India in 1955. The strategic objectives, for which the Corporation was established, included to aid, counsel, assist, finance, protect and promote the interest of small industries in India. The Corporation is manned by a dedicated team of professionals at different levels and operates through 121 offices located all over India and one office located at Johannesburg (South Africa).

Schemes of NSIC Ltd.

To enhance the competitiveness of micro, small and medium enterprises, NSIC provides integrated support services in the areas of Marketing, Technology, Finance, etc. NSIC is implementing the schemes of Marketing Assistance and Performance and Credit Rating on behalf of the M/o MSME.

(i) Marketing Support to MSMEs

Marketing has been identified as one of the most important tools for business development. It is critical for the growth and survival of MSMEs in today's intensely competitive market. NSIC acts as a facilitator and has devised a number of schemes to support enterprises in their marketing efforts, both in domestic and foreign markets. These schemes are briefly described as under:

(a) **Raw Material Distribution:** NSIC has made arrangements with bulk manufacturers like M/s. Steel Authority of India Ltd. (SAIL); M/s. Rashtriya Ispat Nigam Ltd. (RINL); M/s. National Aluminium Company Ltd. (NALCO), Sterlite Group; Indian Oil Corporation Ltd.; Hindustan Zinc Ltd. and Chennai Petrochemical Corporation

Ltd. etc. for procuring raw materials like steel, aluminium, zinc; petrochemical products and coal etc. These arrangements are aimed at making available raw materials to MSMEs at reasonable prices and in small quantities. The financial assistance is also extended for procurement of raw material by MSMEs.

(b) **Consortia and Tender Marketing:** Micro & Small Enterprises (MSEs) in their individual capacity face problems to procure and execute large orders, which deny them a level-playing field vis-a-vis large enterprises. NSIC accordingly forms consortia of small units manufacturing the same products, thereby pooling in their capacity which provides comfort level to MSEs as suppliers and also to buyers. The Corporation applies for Tenders on behalf of consortia of MSEs and secures orders for bulk quantities. These orders are then distributed amongst MSEs in tune with their production capacity. Testing facilities are also provided to enable small enterprises to improve and maintain the quality of their products conforming to the standard specifications of the buyers.

(c) **Single Point Registration for Government Purchase**: NSIC operates a Single Point Registration Scheme under the Government Purchase Programme, wherein the registered small enterprises get purchase preference in Government Purchase Programme. The small enterprises registered under this Scheme get the following facilities:

(i) Issue of Tenders free of cost.

(ii) Advance intimation of Tenders issued by DGS&D.

(iii) Exemption from payment of earnest money deposit.

(iv) Waiver of security deposit up to the monetary limit for which the enterprise is registered.

(v) Issue of competency certificate after due verification, in case the value of an order exceeds the monetary limit.

(d) **Exhibitions:** To showcase the competencies of Indian MSMEs, NSIC facilitates their participations in International Exhibitions, Fairs, etc. on concessional terms under the Marketing Assistance Scheme of the M/o MSME by partially meeting the cost towards rent of stall as well as air fare. Participation in these events exposes MSMEs to international practices and enhances their business prowess. Through participation in these events, MSMEs are also facilitated to capture new markets making them globally competitive.

(e) **Buyer–Seller Meets**: Large and institutional buyers such as Railways, Defence, Communication Departments and large companies are invited to participate in buyer-seller meets to enrich micro and small enterprises' knowledge regarding terms and conditions, quality standards, etc. required by the buyers. These Meets are aimed at vendor development from MSEs for the bulk manufacturers.

(ii) Technology Support

(a) Technology is the key to enhancing a company's competitive advantage in today's dynamic information age. MSMEs need to develop and implement a technology strategy in addition to financial, marketing and operational strategies and adopt the one that helps integrate their operations with their environment, customers and suppliers.

(b) NSIC offers MSMEs the following support services through its Technical Services Centres and Extension Centres:

- (i) Material testing facilities through accredited laboratories;
- (ii) Product design including CAD;
- (iii) Common facility support in machining, EDM, CNC, etc.;
- (iv) Energy and environment services at selected Centres; and
- (v) Practical training for skill upgradation

(iii) Credit Support to MSMEs

(a) Meeting credit needs of MSMEs through tie-up arrangements with Banks: One of the major challenges faced by MSMEs is inadequate access to finance due to lack of financial information and non-formal business practices. To overcome these problems, NSIC has entered into tie-up arrangements with eleven banks (i.e. United Bank of India, UCO Bank, Oriental Bank of Commerce, Central Bank of India, Bank of Maharashtra, YES Bank, AXIS Bank, Karur Vysya Bank, HSBC, Chinatrust Commercial Bank and Union Bank of India) for helping MSMEs in accessing term and working capital loans.

(b) Financing Procurement of Raw Materials and Marketing Activities (Short term): NSIC facilitates raw material requirement of the MSMEs by making arrangements with bulk manufacturers for procuring the materials and supplying the same to MSMEs. In case they need any credit support, NSIC provides financial assistance for raw material procurement by making the payment to suppliers. NSIC facilitates financing for marketing activities such as Internal Marketing, Exports and Bill Discounting to micro, small and medium enterprises.

(iv) Support Services to MSMEs

NSIC has been doing a yeoman service in the development of MSME for more than five decades and it is observed that one of the problems faced by the entrepreneurs is the scarcity in availability of suitable space where they can set up their offices or can exhibit their products for their wider publicity and easy marketability under one roof. In order to give a boost to MSMEs, NSIC has taken step forward by taking judicious decision to set up the following projects:

(a) Construction of Marketing Development-cum-Business Park (MDBP) at NSIC Complex, Okhla Industrial Estate, New Delhi: NSIC is establishing Marketing Development-cum-Business Park (MDBP) at Okhla, New Delhi. MDBP will be a state-of- the-art building having a total covered area of approx. 37,000 sq.m.

(b) Exhibition-cum-Marketing Development Business Park (EMDBP) at Hyderabad: NSIC is setting up an Exhibition-cum-Marketing Development Business Park (EMDBP) at NTSC Campus, Hyderabad a prominent and well developed place in the city. This is a five storied building with a covered area of approx.15,000 sq.m. The ground floor of the building would be utilized for exhibition purpose and the upper floors will be given on lease and license basis to MSMEs/service providers, IT and ITES/BPOs and financial institutions/banks etc.

(c) Infomediary Services under B2B portal for MSMEs: Information plays a vital role in the success of any business. However, MSMEs have limitations in accessing such information. NSIC provides Infomediary Services to MSMEs. Besides hosting a website (www.nsicindia.com), NSIC hosts sector-specific portals for focussed information dissemination. Under this Scheme, MSMEs can become members and avail a number of value-added services. Some of the important services are: l Product specific database searches.

l Sector-specific domestic tender notices with alert facility.

l Country-specific global tender notices from World Bank, United Nations Organisation, ILO etc.

l Business Trade Leads (buy/sell) from more than hundred countries.

l Virtual Exhibition

l My Work Place (Self Web development tool) l SMS alerts

l Electronic Newsletters

l Centralized Mail System for each member (Every member to get individual mail boxes)

l Payment Gateway through major credit cards like Master Card, Visa etc. for membership subscription.

International Cooperation Scheme

Objectives

The important objectives of the Scheme are Technology infusion and/or upgradation of Indian micro, small and medium enterprises (MSMEs), their modernization and promotion of exports. The IC scheme including the application form is available on the website of this Ministry viz. http://msme.gov.in.

The Scheme encompasses the following activities

(i) Deputation of MSME business delegations to other countries for exploring new areas of technology infusion/ upgradation, facilitating joint ventures, improving the market of MSMEs products, foreign collaborations, etc.

(ii) Participation by Indian MSMEs in international exhibitions, trade fairs and buyer-seller meets in foreign countries as well as in India, in which there is international participation.

(iii) Holding international conferences and seminars on topics and themes of interest to the MSMEs.

Under the Scheme, financial assistance is provided to the industries associations/institutions/agencies of the States/Central Government for the activities mentioned above.

DATABASE AND
INFORMATION SERVICES

Collection of Statistics of MSMEs

Objectives

Collection of Statistics of Micro, Small and Medium Enterprises (MSMEs) is a Central Plan Scheme and is being implemented in collaboration with State/UT Governments. The scheme was initiated during the 5th Plan and has been continuing since then. The prime objectives of the Scheme are to:

(i) collect, compile and disseminate statistical information on various parameters like number of registered and unregistered micro and small enterprises, employment, product, etc. in the small scale sector, these are needed to facilitate policy formulation and introduction of appropriate programmes and schemes for the promotion and development of the MSME sector;

(ii) update frame of registered/filed Entrepreneurial Memoranda (EM) of MSMEs.

(iii) conduct regular surveys for collection of data required for Index of Industrial Production (IIP) and to estimate the growth rate of this sector.

Salient Features

(i) Data are collected with the help of staff engaged by the State Directorates of Industries and District Industries Centres for this purpose. Assistance of MSME-DIs is also taken for collection of data and for coordination of census and surveys.

(ii) Central Government meets the salaries and other expenditure of the staff engaged by the State/UT Government for this purpose. There are currently 351 employees engaged in this task at the State/UT level.

(iii) Data are collected on a regular basis on:

- Sample units on 18 reserved items for supplying to the Central Statistical Organization for preparation of growth index of the industrial sector.

- Sample units on 465 items for working out the quarterly growth rate of the SSI sector with revised base year 2001-02.

(iv) Conduct of other studies is undertaken as required from time to time.

Strengthening of Database–Collection of Statistics and Information on MSMEs through Quinquennial Census and Annual Sample Surveys

The Micro, Small and Medium Enterprises sector is a critical segment of the economy. It has a large share in employment generation and a significant contribution to manufacturing output and exports of the country. There are about 15.52 lakh registered working MSMEs employing above 92 lakh persons. If we include the unregistered sector also as per ‘Quick Results: Fourth All India Census of Micro, Small & Medium Enterprises 2006-07’, the number of MSMEs is 261 lakh and employment in this sector is

594 lakh. The micro, small and medium manufacturing segment itself contribute nearly 45 per cent of country's industrial production (2007-08) and has consistently registered higher growth rate of production and employment generation than the rest of the industrial sector.

Recognising the enormous contribution of the MSE to generating economic growth, providing widely dispersed employment, equitable regional development as also their locational flexibility and adaptability in the face of competition, a scheme for 'Strengthening the database for MSME sector' was announced by the Government under the 'Package for Promotion of Micro and Small Enterprises'. The broad objective of the scheme is:

(i) Collection of statistics on MSMEs through annual sample survey and quinquennial census.
(ii) Collection of data on women owned and/or managed enterprises.

(iii) Collection of data on exports made by MSMEs.

Under the above scheme, provisions have been made for conduct of periodic census and sample survey.

Work relating to the Fourth Census of MSME for the registered and unregistered sector, conducted all over the country through the State/ UT Directorates of Industries (SDIs), is nearing completion. The final results of the census will be released by March, 2011.

Small Enterprise Information Resource Centre Network (SENET)

Objectives

Small Enterprise Information Resource Centre Network (SENET) was launched by the office of the DC (MSME) in April 1997. The Scheme was modified and its scope enlarged to include office automation. The SFC approved the modified scheme in March 2000. The revised SENET Scheme has also been approved for continuation during the XIth Plan (2007-2012).

The main objectives of the scheme are to :

(i) Pioneer, create and promote databases and information, to facilitate networking amongst the MSME sector, National and State level industry associations, NGOs, to carry out office automation in the office of the DC (MSME) for bringing out transparence in the functioning the office; and

(ii) Create a website for hosting data available within the organisation.

Salient Features

(i) The scheme at present covers the office of the DC (MSME) at New Delhi and hyperlinked to 30 MSME-Development Institutes for office automation and web hosting.

(ii) The project has been implemented in 2000. The DC (MSME)'s Portals www.dcmsme.gov.in, www.laghu-udyog.com, www.smallindustryindia.com has been hosted. The contents are updated constantly. The web portals with more than 10,000 pages of static information are constantly updated.

SCHEMES AND PROGRAMMES OF KVIC AND COIR BOARD

Role of KVIC and Coir Board

The Ministry of Micro, Small and Medium Enterprises (erstwhile Ministry of Agro & Rural Industries) is the nodal agency for co-ordination and development of khadi and village industries and the coir sector. The policies and programmes/schemes related to agro and rural industries are implemented by the Ministry through the Khadi and Village Industries Commission (KVIC) and the Coir Board with the co-operation and participation by the Reserve Bank of India, nationalized and other scheduled banks and the State Governments. The subject matter of the Ministry covers:

- Khadi
- Village Industries
- Coir Industry

The Ministry implements a credit-linked subsidy scheme called the Prime Minister's Employment Generation Programme (PMEGP) with KVIC as nodal agency at the National level and the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) through Nodal agency namely KVIC and Coir Board for development of more than 100 clusters (khadi, village industry and coir) to make the traditional industries more productive and competitive and to increase the employment opportunities in the rural areas of the country. The other schemes and programmes are implemented through the two organizations, namely:

(1) Khadi and Village Industries Commission (KVIC), Mumbai; and

(2) Coir Board, Kochi.

Khadi and Village Industries Commission (KVIC)

l KVIC, a statutory body, was established under the Khadi and Village Industries Commission Act, 1956 (No. 61 of 1956).

l The Commission is headed by a full-time Chairman and consists of 10 part-time Members.

l For the development of khadi and village Industries in rural areas in coordination with other agencies, KVIC is responsible for the planning, promotion, organization and implementation of various programmes and schemes.

l The objectives of the KVIC include providing employment through production of saleable articles and creation of rural community spirit.

l KVIC co-ordinates its activities through State KVI boards, registered societies and cooperatives. It has under its aegis a large number of industry-specific institutions spread in various parts of the country.

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Coir Board

- Coir Board is also a statutory body set up under the Coir Board Industry Act, 1953 (No. 45 of 1953).
- The Board started functioning in July, 1954.
- It is headed by a full-time Chairman and consists of 39 part-time Members.
- Coir Board is responsible for promoting the overall development of the coir industry and uplifting of the living conditions of the workers engaged in this traditional industry.

Prime Minister's Employment Generation Programme (PMEGP)

A new scheme called Prime Minister's Employment Generation Programme (PMEGP) has been approved by merging the two schemes that were in operation till 31.03.2008, namely, Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP), for implementation from 2008-09 to 2011-12 with an estimated expenditure of Rs. 4,735 crore (Rs. 4,485 crore towards margin money and Rs. 250 crore towards backward forward linkages) for generation of additional employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP is Central Sector Scheme and being administered by the Ministry of Micro, Small and Medium Enterprises (M/o MSME). The Scheme is being implemented through the Khadi and Village Industries Commission (KVIC) as the single nodal agency at the National level. At the State/Union Territories level, the scheme is being implemented through field officers of KVIC, State/Union Territory Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and Banks. Under this programme, entrepreneurs can also establish 'micro enterprises', including village industries, by availing of margin money assistance from the KVIC/KVIBs of States and Union Territories/DICs and loans from implementing public sector Scheduled Commercial Banks, selected Regional Rural Banks and Co-operative Banks, etc. for projects with a maximum cost of Rs. 10 lakh each in the Service/Business Sector and up to Rs. 25 lakh each in the Manufacturing Sector.

Objectives

(i) To generate employment opportunities in rural, semi-rural areas with population not exceeding 20,000 and other rural areas and urban areas of the country through self-employment ventures/projects/micro enterprises.

(ii) To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible at their place.

(iii) To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.

(iv) To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

Quantum and Nature of Financial Assistance

Categories of Beneficiaries under PMEGP	**Beneficiary's Contri-bution (of Project Cost)**	**Rate of Subsidy (of Project Cost)**	
Area (Location of Project/Unit)		Urban	Rural
General Category	10%	15%	25%
Special (including SC/ST/OBC/ Minorities/Women, Ex-service-men, Physically Handicapped, NER, Hilly and Border Areas, etc.	05%	25%	35%

Notes:

(1) The maximum cost of the project/unit admissible under Manufacturing Sector is Rs. 25 lakh.

(2) The maximum cost of the project/unit admissible under Business/Service Sector in Rs. 10 lakh.

(3) The balance amount of the total project cost will be provided by banks as term loan.

Eligibility Conditions of Beneficiaries

(i) Any individual above 18 years age.
(ii) There will be no income ceiling for assistance for setting up projects under PMEGP.

(iii) For setting up of project costing above Rs. 10 lakh in the manufacturing sector and above Rs. 5 lakh in the business/ service sector, the beneficiaries should possess at least VIII standard pass educational qualification.

(iv) Assistance under the Scheme is available only for new projects sanctioned specifically under the PMEGP.

(v) Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme) are also eligible for assistance under
PMEGP.

(vi) Institutions registered under Societies Registration Act, 1860;

(vii) Co-operative Societies,

(viii) Charitable Trusts, and

(ix) Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are not eligible.

Other Eligibility Conditions

(i) A certified copy of the caste/community certificate or relevant document issued by the competent authority in the case of other special categories is required to be produced by the beneficiary to the concerned branch of the Banks along with the Margin Money (subsidy) Claim.

(ii) A certified copy of the bye-laws of the institutions is required to be appended to the Margin Money (subsidy) Claim, wherever necessary.

(iii) Project cost will include Capital Expenditure and one cycle of Working Capital. Projects without Capital Expenditure are not eligible for financing under the Scheme.

(iv) Cost of the land should not be included in the Project cost. Cost of the ready built as well as long lease or rental Workshed/Workshop can be included in the project cost subject to restricting such cost of ready built as well as long lease or rental Workshed/Workshop to be included in the project cost calculated for a maximum period of 3 years only.

(v) PMEGP is applicable to all new viable micro enterprises, including Village Industries projects except activities indicated in the negative list of Village Industries. Existing/ old units are not eligible.

Notes:

(1) The Institutions/Co-operative Societies/Trusts specifically registered as such and SC/ST/OBC/Women/Physically Handicapped/Ex-Servicemen and Minority Institutions with necessary provisions in the bye-laws to that effect are eligible for Margin Money (subsidy) for the special categories. However, for Institutions/Cooperative Societies/Trusts not registered as belonging to special categories, will be eligible for Margin Money (Subsidy) for general category.

(2) Only one person from one family is eligible for obtaining finance assistance for setting up of projects under PMEGP. The 'family' includes self and spouse.

How to Apply

The scheme is advertised through print and electronic media. The beneficiary can submit his/her application along with project report at the nearest KVIC/KVIB/DIC/Bank Offices.

Selection of Beneficiaries

Beneficiaries are selected through interview process by the District Task Force Committee headed by the District Magistrate/Deputy Commissioner/Collector.

Projects are finally sanctioned by the financing Branches of the Implementing Banks after assessment of Techno-Economic Viability of the Project Proposal.

Amount of Bank Loan and Own Contribution of the Beneficiary

Banks sanction and release 90-95% of the sanctioned project cost as loan, as the case may be. Beneficiaries' contribution is 10% of the project cost in case of general category and 5% in case of weaker section beneficiaries.

Negative List of Activities

The following activities are not permitted under PMEGP for setting up of micro enterprises/projects/units:

(a) Any industry/business connected with Meat (slaughtered), i.e. processing, canning and/or serving items made of it as food, production/manufacturing or sale of intoxicant items like Beedi/ Pan/Cigar/Cigarette etc., any Hotel or Dhaba or sales outlet serving liquor, preparation/producing tobacco as raw materials, tapping of toddy for sale.

(b) Any industry/business connected with cultivation of crops/ plantation like Tea, Coffee, Rubber etc. Sericulture (Cocoon rearing), Horticulture, Floriculture, Animal Husbandry like Pisciculture, Piggery, Poultry, Harvester machines etc.

(c) Manufacturing of Polythene carry bags of less than 20 microns thickness and manufacture of carry bags or containers made of recycled plastic for storing, carrying, dispensing or packaging of food stuff and any other item which causes environmental problems.

(d) Industries such as processing of Pashmina Wool and such other products like hand spinning and hand weaving, taking advantage of Khadi Programme under the purview of Certification Rules and availing sales rebate.

(e) Rural Transport (except Auto Rickshaw in Andaman & Nicobar Islands, House Boat, Shikara & Tourist Boats in J&K and Cycle Rickshaw).

Workshed Scheme for Khadi Artisans

A growing need was being felt to facilitate and empower khadi spinners and weavers to chart out a sustainable path for growth, income generation and better work environment so that they are able to have a right working atmosphere and better ambiance to enable them to carry out their spinning and weaving work efficiently. Accordingly, the Government approved a new Central Sector Plan Scheme called Workshed Scheme for Khadi Artisans (WSKA) for implementation w.e.f. 27th May, 2008 through the Khadi and Village Industries Commission (KVIC) in an attempt to facilitate the development of khadi spinners and weavers essentially belonging to BPL category by providing them financial assistance for construction of worksheds on a pilot basis. This scheme will be implemented during the XIth Plan (2008-09 to 2011-12). More than 38,000 worksheds are proposed to be constructed at a total cost of Rs. 127 crore approximately, involving financial assistance of Rs. 95 crore as grants to KVIC from Government of India's Budgetary sources.

Assistance under the Scheme

Financial Assistance for construction of worksheds will be provided to those khadi artisans who belong to BPL category through the khadi institutions with which these khadi artisans are associated and the quantum of assistance will be as under:

Component	Area per Unit	Amount of Assistance
Individual Workshed	20 Square meters (approximately)	Rs. 25,000/- or 75% of the cost of the workshed, whichever is less.
Group Worksheds (for a group of minimum 5 and maximum 15 khadi artisans)	15 Square meters per beneficiary (approximately)	Rs. 15,000/- per beneficiary of the group or 75% of the total cost of the project, whichever is less.

The additional requirements of funds over and above the financial assistance provided by the Government of India, to meet the cost of Workshed can be contributed by Khadi Institutions without insisting on any contribution from the beneficiaries. In case of individual Worksheds, the khadi institutions can also release the additional funds assessed for construction of workshed out of the accumulations in Artisans Welfare Fund lying to the credit of the beneficiary with State Level Artisan Welfare Fund Trust. The financial assistance to be provided by the Government will go to the institutions (with which the beneficiaries of the scheme are affiliated) which will be responsible for the construction of worksheds (either directly or under their supervision) and Khadi and Village Industries Commission (KVIC) will supervise the activities.

Detailed guidelines of the scheme are available on the website of the Ministry of Micro, Small and Medium Enterprises (www.msme.nic.in).

Scheme for Enhancing Productivity and Competitiveness of Khadi Industries and Artisans

The Scheme for Enhancing Productivity and Competitiveness of Khadi Industries and Artisans is a central sector scheme introduced with effect from 2008-09 envisages a comprehensive support to around 200 Khadi Institutions in order to make khadi industry more productive as well as competitive and also strengthen its potential for creation of qualitative employment.

Objectives

The primary objectives of this scheme are to:

- Make khadi industry more competitive with more market-driven and profitable, production and sustained employment for khadi artisans and related service providers by replacement of obsolete and old machinery and equipment and repairs to/renovation of existing/ operational machinery and equipment;
- Extend an evenly balanced and need-based support in all areas of Khadi activities viz. production, distribution, promotion and capacity building;
- Provide appropriate incentives to shift to market driven approach.
- The scheme would cover activities upto cloth stage and may not venture into readymade garments.

Target Beneficiaries

The targeted beneficiaries of the scheme would be spinners, weavers, pre-weaving artisans, washer men, dyers and printers, workers (karyakartas) of the khadi institutions, manufacturers of tools and equipment, common service providers engaged in khadi industry associated with selected khadi institutions from among the 200 Khadi institutions (45 institutions each belonging to 'A' & 'A+', 'B', 'C' and SC/ST categories and 20 institutions from NER) affiliated to KVIC/ State or UT KVI Boards covering all categories of institutions.

Intervention/Support Measures

- Introduction of new technology and reduction in drudgery in pre- as well as post-weaving processes;
- Introduction of need-based dyeing and printing facilities;
- Production ofmarket-oriented khadi products upto cloth stage with higher productivity and cost competitiveness; and
- Market promotion as well as capacity building at various levels and aspects in the functioning of Khadi institutions and also engagement or expert manpower for proper implementation of the scheme.

Financial Assistance

The pattern of financial assistance under the Scheme is given in the Table below:

Sl. No.	**Component**	**Funding Pattern under the Scheme (of Total Cost)**		
		Category of Khadi Institutions	**Govt. Grant (%)**	**Institution's Contribution (%)**
1.	Replacement of charkhas and looms (Average cost – Rs. 12 lakh per institution).	A+, A	75	25
		B & C		
		SC, ST	90	10
		NER		
2.	Service Centre for wrap units ready to use wraps for weaving, post looms facilities, product testing laboratory etc. (Average cost – Rs. 2 lakh per SC).	A+, A	75	25
		B & C		
		SC, ST	90	10
		NER		

Sl. No.	Component	Funding Pattern under the Scheme (of Total Cost)		
		Category of Khadi Institutions	Govt. Grant (%)	Institution's Contribution (%)
3.	Product Development Design Intervention and Packaging (Average cost – Rs. 2 lakh per institution).	A+, A	75	25
		B & C		
		SC, ST	90	10
		NER		
4.	Market Promotion Assistance (Average cost – Rs. 8 lakh per institution).	All categories	90	10
5.	Capacity Building Measures (Average cost – Rs. 5 lakh per institution).	All categories	90	10
6.	Techno-managerial support (Average cost – Rs. 5 lakh per institution).	All categories	90	10
7.	Reporting, documentation, Studies etc. (Lump sum Rs. 1 lakh).	All categories	100	—

The scheme is restricted for activities upto cloth stage only.

Financial Outlay

Based on the estimated cost mentioned above, the year-wise financial outlay is given below:

Year	**Funds Required (Rs. in crores)**		
	GOI	**Khadi Institutions**	**Total**
2008-09	10.67	1.93	12.60
2009-10	14.23	2.57	16.80
2010-11	21.34	3.86	25.20
2011-12	24.90	4.50	29.40

Total	71.14	12.86	84.00

Scheme for Strengthening of Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure

The Scheme for Strengthening of Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure is a Central Sector Scheme introduced with effect from 2009-10 with the objective to assist identified weak khadi institutions so as to enable those institutions regain their status and revive their potential for re-employment, and improving marketing of khadi products through development of marketing infrastructure, including renovation of selected sales outlets of khadi institutions, on a limited basis.

Objectives

The primary objectives of this scheme are to:

(i) assist identified weak khadi institutions (sick/problematic and 'D' category) so as to enable these institutions regain their status and revive their potential for employment generation.

(ii) make an effort to overcome the existing 'near stagnation' stage of the sector by strengthening the khadi institutional base.

(iii) bring in a transformation in the khadi sector and re-affirm its significance as a sustainable employment provider for rural artisans.

(iv) open up avenues of enhanced employment to rural artisans, majority of whom belong to Below Poverty Line (BPL) category and to help the rural artisans by providing them employment opportunities through khadi production programme.

(v) improve marketing of khadi products through development of marketing infrastructure, including renovation of selected sales outlets of khadi institutions, on a limited basis.

Target Beneficiaries

The scheme shall primarily target the following institutions for increasing the earning potential of rural artisans from khadi activities:

(i) Upto 100 weak khadi institutions ('D' category of sick/ problematic) affiliated to KVIC/State Khadi and Village Industries Boards (KVIBs) identified by KVIC having requisite production infrastructure and willingness to work whole heartedly with zeal so as to improve the condition of the institution by running it effectively.

(ii) Identified Departmental outlets of KVIC and retail sales outlets of State/Union Territory Khadi and Village Industries Boards (KVIBs) and institutions, for improving their turnover by improving their marketing infrastructure through financial assistance. The number of sales outlets for

providing assistance for marketing infrastructure during XIth Plan period shall be as follows:

	2009-10	2010-11	2011-12	Total
KVIC Outlets	2	2	–	4
KVIB Outlets	2	2	2	6
Khadi Institution's Outlets	6	6	8	20
Total	10	10	10	30

Selection Criteria

Strengthening of Infrastructure of Existing Weak Khadi Institutions

The criteria for the selection of institutions for assistance under the scheme will be as follows:

(i) Institutions having adequate infrastructure as mentioned in the datasheet (selection criteria) given in Annex.-I;

(ii) Institutions which have submitted an Action Plan, clearly showing ways and means for revitalization of its activities which has been recommended by Standing Performance Monitoring Committee (SPMC);

(iii) Institutions which have made necessary changes in the Managing Committee by nominating a capable person as its Secretary and his credentials have been examined and assented to by SPMC;

(iv) Institutions which have made arrangements for further requirement of working capital from banks(s);

(v) Institutions which have negotiated a working partnership with the neighbouring better performing institutions;

(vi) Institutions which have made a commitment to take up other supporting schemes of KVIC, viz., PRODIP, RISC, S&T, etc. and deliver desired results as envisaged in these schemes; and

(vii) Institutions which have submitted clear assurance to observe financial discipline as prescribed by the financing agency i.e., KVIC, bank etc.

Assistance for Marketing Infrastructure

The criteria for selection of retail sales outlets of other institutions for renovation will be as follows:

(i) The institution should be registered and/financed by KVIC or State/UT KVI Boards belonging to A+/A/B/C category as per the norms enunciated by the KVIC and involved in marketing activities of khadi products.

(ii) The institution should have valid certificate for khadi and polyvastra.

Also, the institutions desirous of receiving assistance under the scheme have to furnish an undertaking clearly giving commitment for its own contribution in advances (25% of the project cost with a ceiling of Rs. 6.25 lakh; 10% in case of NER). Such institutions have also to furnish a letter of commitment to achieve at least 20% annual increase in retail sales after renovation with a minimum sale of Rs. 1 lakh in the first year immediately succeeding renovation.

Quantum and Nature of Financial Assistance for Strengthening of Infrastructure of existing Weak Khadi Institutions

The item-wise project cost per institution for weak (sick, problematic and "D" category) institutions under the scheme will be as follows:

Sl. No.	Component	Cost	Total Cost
I)	Preliminary and Pre-operative Expenditure	—	Rs. 0.25 lakh
1.	Conducting feasibility study, preparation of an action plan and other incidental charges	Rs. 0.25 lakh	—
II)	Capital Expenditure		Rs. 3.50 lakh
1.	Repairs and overhauling of implements and purchase of accessories and equipments	Rs. 0.50 lakh	—
2.	Procurement of new implements – (Charkha & Loom)	Rs. 2.00 lakh	—

3.	Repair of workshed/office/ godown/sales outlets including furniture fixtures to make them functional	Rs. 1.00 lakh	—
III)	Working Fund	—	Rs. 6.15 lakh
1.	Purchase of raw material	Rs. 1.50 lakh	—
2.	Payment to artisans	Rs. 2.40 lakh	—
3.	Other production overheads such as Supervision, Sales, Distribution, Expenditure, Processing and Fabric Conversion	Rs. 1.00 lakh	—
4.	Payment of statutory dues such as P.F. etc., Payment of interest to the Bank loan for renewal wherever required	Rs. 0.75 lakh	—
5.	Provision for engaging professional expert	Rs. 0.50 lakh	—
	TOTAL (I + II + III)		Rs. 9.90 lakh
			Say Rs. 10.00 lakh

Notes:

(i) The financial assistance under the strengthening of infrastructure of existing weak khadi institutions will be extended in 3 (three) installments. The first installment of 2.5% will be released initially for pre-operative expenditure by engaging a professional agency. The second installment of 50% will be released on approval of the revitalization package. The remaining fund will be released on submission of a progress report along with utilization certificate clearly depicting utilization of fund as per the approved plan of action.

(ii) All costs mentioned above are indicative. Funds would be sanctioned against specific need-based action plan with the maximum ceiling of assistance to the extent of Rs. 10.00 lakh.

Quantum and Nature of Financial Assistance for Marketing Infrastructure

The maximum acceptable project cost will be 20% of the average annual turnover of retail sales of the institution during last three years. Any addition in the project cost over the accepted limit will be responsibility of the agency.

The institution's own contribution as proportion of the accepted project cost will be as follows:

Departmental Sales Outlets of KVIC	: – Nil –
Departmental Sales Outlets of State/UT Boards	: 15% of the project cost
Institutions registered and financed by KVIC or State/UT KVI Boards	: 25% of the project cost

The assistance under Marketing Infrastructure for the selected institutions will be as follows:

(Rs. in Lakhs)

Sl. No.	Component	Funding Pattern	Govt. Grant	Inst.'s Contr.	Total
	Common logo, signage, visual merchandising, computerization including billing and bar coding, training of sales staff, furniture and fixture including civil works incidental to renovation etc.				
(a)	Departmental Sales Outlets of KVIC	Govt. Grant – 100%	25.00	0.00	25.00
(b)	Departmental Sales Outlets of KVIBs	Govt. Grant – 85% Inst. Contr. – 15%	21.25	3.75	25.00
(c)	Institutional Sales outlets (Metro cities)	Govt. Grant – 75% Inst. Contr. – 25%	18.75	6.25	25.00
(d)	Institutional outlets (Non-metro cities)	Govt. Grant – 75% Inst. Contr. – 25%	15.00	5.00	20.00

Notes:

(i) The average project cost has been worked out at Rs. 25 lakh per sales outlet of which 15% and 25% will be contributed by the KVIB and Khadi institutions respectively while the assistance will be 100% in respect of 4 outlets managed by KVIC. In case of outlets, other than the departmental outlets of KVIC and KVIBs, the maximum assistance provided will be Rs. 18.75 lakh for outlets located in metropolitan cities and Rs. 15.00 lakh in other places which is further subject to a maximum of 20% of the average annual turnover of the retail sales of the institutions during last three years. Institutional outlets in the NE states will

receive government grant to the extent of 90%. Remaining 10% will be mobilized by the institution.

(ii) The funds will be released in 4 installments, the first being 25% of the grant amount after sanction of the project. This fund will be utilized along with the internal contribution of the outlet/institution and the rest of the grant will be released in next three installments after ascertaining the progress.

Rejuvenation, Modernization & Technology Upgradation of the Coir Industry

Objectives

The Central Sector Scheme of Rejuvenation, Modernization & Technology Upgradation of the Coir Industry has been introduced with effect from March, 2007 with the main objectives of modernizing Coir industry by adoption of modern technology in production and processing of Coir in the spinning and weaving sectors and to generate employment in the rural areas of the Coir producing states.

Scheme Interventions

Traditional spinning and weaving activities will be rejuvenated by providing proper work environment (worksheds) along with motorized ratts replacing the decades old obsolete implements and ratts in the spinning sector and mechanized looms replacing the obsolete implements and looms in the tiny/household weaving sector.

Under the scheme, one existing obsolete ratt per unit would be replaced by four mechanized ratts. The intervention in the spinning sector is targeted to be women-oriented. A tiny/household weaving unit is proposed to be standardized with three mechanized looms.

Criteria for Selection of Beneficiary

The selection of beneficiary will be done on merit, on first come first served basis. Indicative parameters for selection of beneficiary are given below.

Spinning Sector

Self Help Groups (SHGs) consisting of a group of eight Spinners, including their Leader, engaged in the production and processing of Coir and new SHGs shall be eligible for assistance under the Scheme.

Tiny/Household Units

Self Help Groups (SHGs) consisting of six weavers, including their Leader, engaged in the production of traditional Coir products viz., Coir mats, mattings, carpets, rope, rubber backed Coir products, Coir pith processing units etc. registered with Coir Board will be eligible for assistance under the Scheme.

Norms of Grant/Subsidy/Assistance

The financial assistance or Government grant/subsidy would be 40% of the project cost subject to a maximum of Rs. 80,000/- (Rupees eighty thousand only) for spinning unit and Rs. 2 lakh for tiny/ household unit. The leader of the Self Help Group (SHG) would be responsible for running, maintaining and attending to its financial issues.

(Rs. 80,000/- for spinning unit and Rs. 2.00 lakh for tiny/household unit)

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Objectives

In pursuance of the announcement of the Finance Minister in his Budget Speech of July 2004 for setting up of a Fund for Regeneration of Traditional Industries with an initial allocation of Rs. 100 crore for development of traditional industries, the Ministry of Micro, Small and Medium Enterprises (erstwhile Ministry of Agro and Rural Industries) in October, 2005 has launched a scheme titled Scheme of Fund of Regeneration of Traditional Industries (SFURTI) for development of 100 clusters (25 clusters for khadi, 50 clusters for village industries and 25 clusters for coir industry) over a period of five years. The Scheme would cover an estimated 50,000 beneficiary families.

Salient Features

(i) The main features of the scheme are:

(a) To make traditional industries more competitive with more market-driven, productive, profitable and sustained employment for the participants;

(b) To strengthen the local socio-economic governance system of the industry clusters with the active participation by the local stakeholders that can help to continue undertake development initiatives by themselves; and

(c) To build up innovated and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private-partnerships, so as to gradually replicate similar models of cluster-based regenerated traditional industries.

(ii) Nodal Agency: Khadi and Village Industries Commission (KVIC) and Coir Board have been designated as Nodal Agencies for implementation of the Scheme. The Nodal Agencies are responsible for holding and disbursement of funds to the identified Implementing Agencies and monitoring of the Scheme under the overall supervision of the Scheme Steering Committee (SSC) of SFURTI.

(iii) Selection of Cluster: The selection of clusters will be based on their geographical concentration which should be around 500 beneficiary families of artisans/micro enterprises, suppliers of raw materials, traders, service providers, etc. located within one or two revenue sub-divisions in a District (or in contiguous Districts). The clusters would be from khadi, coir and village industries including leather and pottery.

(iv) Assistance: Under this scheme assistance/support is to be provided in the selected clusters for:

(a) Replacement of charkhas and looms in khadi sector,

(b) Setting up Common Facility Centres,

(c) Development of new products, new designs for various Khadi and Village Industry (VI) products, new/improved packaging, etc.

(d) Market promotion activities,

(e) Capacity building activities such as exposure visits to potter clusters and institutions, need-based training, support for establishment of cluster level networks (industry associations) and other need-based support, and

(f) Other activities identified by the Implementing Agency (IA) as necessary for the development of the cluster as part of the diagnostic study and included in the annual Action Plan for the cluster.

Market Development Assistance (MDA) Scheme for Khadi and Polyvastra

Objectives

Based on the recommendations of the High Power Committee headed by the then Prime Minister in 1994, Pant Committee Report of 2001, and the Expert Committee Report of 2005 followed by pilot projects, and consultations with stakeholders, the scheme of providing rebate on sales of khadi has been replaced with effect from April 1, 2010 with the approval of the Cabinet Committee on Economic Affairs with

a more flexible, growth stimulating and artisan-centric scheme of Market Development Assistance (MDA) on production of khadi for implementation by the Khadi and Village Industries Commission (KVIC) during 2010-11 and 2011-12. The scheme provides for financial assistance to khadi institutions @ 20% of production value on khadi and polyvastra to be shared among artisans, producing institutions and selling institutions in the ratio 25:30:45. The guidelines of the scheme are available on the KVIC's website www.kvic.org.in. Under the new system of MDA, sales are expected to be evenly spread throughout the year, and the institutions will have the flexibility to use the assistance as per their actual needs and priorities to improve production and marketing infrastructure such as improving the outlets, designing products as per market demands or even giving incentives to customers, etc.

Salient Features

The newly introduced MDA scheme makes it mandatory for the institutions to pass on 25% of the total MDA to the spinners and weavers as incentive or bonus in addition to their wages through their bank accounts or post office accounts which facility did not exist under the rebate scheme. Sales are also expected to be spread across the year under MDA Scheme and would not get restricted to only 108 days as used to happen under rebate scheme. The erstwhile scheme of rebate on sales usually caused delay in release of rebate claimed by the institutions as they had to wait firstly till completion of sale and then wait further till the ensuing year to get the claims reimbursed after completion of audit, wherever required. Under MDA, incentives would be provided the same year, after the end of the quarter of production and this is expected to ease the working capital situation of the institutions by ensuring immediate liquidity which would in turn ensure timely payment to the artisans.

Khadi Karigar Janashree Bima Yojana

Objectives

To provide social security benefits to the artisans of Khadi sector and their family members, the Government of India, in cooperation with the Life Insurance Corporation of India, launched Khadi Karigar Janashree Beema Yojana on August 15, 2003.

Salient Features

(i) The cost of premium is Rs. 100/- (Rs. 200/- per annum till 2004-2005) per artisan per annum w.e.f. 2005-06. The mode of contribution of the premium is as follows:

(a) Rs. 50/- from Government of India (social security fund) (Rs. 100/- till 2004-2005)

(b) Rs. 12.50 from KVIC (Rs. 25/- till 2004-2005)

(c) Rs. 25/- from Khadi institutions (Rs. 50/- till 2004-05)

(d) Rs. 12.50/- from Khadi artisans (Rs. 25/- till 2004-05)

The cost of premium has been reduced to Rs. 100/- per artisan per annum from 2005-06.

(ai) The following enhanced benefits are extended under the Scheme w.e.f. 2006-07:

(a) Rs. 30,000/- Natural death

(b) Rs. 75,000/- Death due to accident

(c) Rs. 75,000/- Permanent total disability

(d) Rs. 37,500/- Permanent partial disability

(iii) The Khadi Karigar Janashree Bima Yojana also provides educational benefits (restricted to first two children) under Shiksha Sahayog Yojana to the children of the artisans studying from IXth to XIIth Std. They are extended a scholarship of Rs. 300/- quarterly.

Eligibility

Artisans, including weavers, spinners, pre-spinning artisans and post-weaving artisans in the age group of 18 to 59, registered with the Khadi institutions affiliated to KVIC and KVIBs, are eligible to get covered under the Scheme.

This scheme was approved for implementation during the last 4 years of 10^{th} Five Year Plan. The policy renewed during the terminal year of the 10th Plan i.e. 2006-2007. The scheme has been continued for implementation during 2007-08.

Interest Subsidy Eligibility Certificate (ISEC) Scheme

Objectives

The Interest Subsidy Eligibility Certificate (ISEC) Scheme is the major source of funding for Khadi programme. It was introduced in May 1977 to mobilize funds from banking institutions to fill the gap in the actual fund requirement and of fund availability from budgetary sources.

Salient Features

(i) Under the scheme, credit at a concessional rate of interest of 4% p.a. for capital expenditure as well as working capital is given as per the requirement of the institutions. The difference between the actual lending rate and 4% is paid by the Central Government through KVIC to the lending bank.

(ii) KVIC issues the Interest Subsidy Eligibility Certificate to Khadi institutions on the basis of their progress and the estimated requirement. On the basis of limit as fixed in ISEC, the institution may approach any bank for availing credit. For this purpose, banks provide credits to the institution at the prevailing bank rate.

Eligibility

All institutions registered with the KVIC/State Khadi and Village Industries Boards (KVIBs) can avail of financing under the ISEC Scheme. Initially, the entire KVI sector was covered, but with the introduction of REGP for Village Industries (VI), the scheme now supports only the khadi and the polyvastra sector. However, all village industries units existing on 31.03.1995 have been allowed to avail of this facility for the amount of bank finance availed of as on that date or actual, whichever is less. ISEC is restricted to khadi activities only w.e.f. 01.04.2010

Product Development, Design Intervention and Packaging

Objectives

The Product Development, Design Intervention and Packaging (PRODIP) Scheme was launched in November 2002 with the aim to improve quality, introduce new designs and market the khadi and village industry products.

Salient Features

(i) In case of eligible institutional entities, assistance is limited to Rs. 2 lakh per project per year of 75% of the project cost, whichever is lower.

(ii) In case of eligible entrepreneurial units, assistance is limited to Rs. 1 lakh per project per year of 75% of the project cost, whichever is lower.

(iii) The ceilings prescribed at (i) and (ii) above are for the purpose of limiting flow of assistance from the KVIC even in respect of such projects which are of more than Rs. 2 lakh.

Eligibility

(i) Projects relating to diversification of product line with the objective of increasing marketability.

(ii) Projects relating to conversion of existing stocks to make them suitable products for market.

(iii) Projects relating to development of khadi & village industries products as per the specifications of DGS&D/ BIS/Government/Institutional orders (R.C.).

(iv) Projects relating to production of National Flag as per BIS Specification provided only such institutions are identified as produce bunting cloth for the purpose.

All exporters with FOB turnover of less than Rs. 2 crore worth coir and coir products in the previous year and entrepreneurs of coir and coir products, registered with the Coir Board, would be eligible for assistance under the scheme, provided they have not availed the facility from any other source for the same purpose

Export Market Promotion Scheme— External Market Development Assistance

Objectives

The scheme of External Market Development Assistance was introduced with effect from 2000-01 for encouraging small exporters in the coir sector. The salient features of the scheme are as follows.

Salient Features

(i) Activities covered:

- (a) Individual sales-cum-study tour/trade delegation/buyer-seller meet abroad; and
- (b) Individual participation in trade fairs and exhibitions abroad.

(ii) Assistance is available for air travel and space rental.

Eligibility

- l In a financial year assistance will be extended for a maximum three programmes—two exhibitions and one sales tour or vice versa.
- l For a particular event assistance will be extended to a maximum three times including past cases.

Domestic Market Promotion Scheme

Objectives

For the development of domestic market, Coir Board is running 30 showrooms in major cities of the country to promote domestic consumption of coir and coir products. To promote and popularize the use of coir products within the country, Coir Board also participates in major exhibitions within the country under its Scheme.

Coir Board is now implementing a new Scheme, viz., Market Development Assistance (MDA) since 2000-01 to provide financial assistance for domestic market development. The scheme provides financial assistance @ 10 per cent of the annual sales turnover of coir products to the units in the co-operative and public sector undertakings based on their annual sales turnover. This assistance is shared equally by the Central Government and the State Government concerned.

Salient Features

The Market Development Assistance (MDA) Scheme allows flexibility in utilization of Government grant. MDA has been introduced in replacement of the Rebate Scheme. It can be utilized for the following purposes:

(i) To promote the sale of coir products manufactured by co-operatives and public sector enterprises committed to payment of minimum wages and other obligatory benefits to coir workers;

(ii) To encourage sustained production and more employment opportunities specially in the co-operative sector of the coir industry; and

(iii) To provide financial support on a continuing basis around the year to the co-operative and public sector enterprises who undertake market development programmes like setting up of sale network, publicity, participation in exhibitions, etc.

Eligibility Criteria

The apex co-operative societies, central co-operative societies, primary co-operative societies, public sector enterprises in the coir industry and the show rooms and sales depots of the Coir Board are eligible for assistance.

Development of Production Infrastructure Scheme

Objectives

Modernization of coir units through assistance for equipment, infrastructure and support through entrepreneurship development, motivation and awareness on quality improvement are the main objectives of this scheme.

Salient Features

Under this scheme, Coir Board is extending financial assistance to the extent of 25 per cent of the cost of equipment and infrastructural facilities, subject to a ceiling of Rs. 1.5 lakh, for setting up new coir units and Rs. 50,000 for modernization of existing coir units. Coir Board is also organizing Entrepreneurs Development Programme/ Quality Improvement Programme to motivate young entrepreneurs and to create quality awareness. (Names of financial assistance are being revised)

Eligibility

The units which satisfy the following conditions are eligible of subsidy under the scheme:

- The unit should have a valid registration with the Coir Board under the Coir Industry (Regn.) Rules, 2008.
- The unit should have SSI registration with the Industries Department of the State concerned.
- The unit should produce a ‘No Objection Certificate’ from the State Electricity Board for installation of generator set as per rules in the State concerned.
- The capacity of generator set should be in accordance with the requirement of the unit as specified in the registration certificate.
- A three-phase power supply should be available in the unit.
- The application for grant of generator subsidy should be recommended by the General Manager, DIC.
- The unit should obtain a clearance to the proposal in advance from the Regional Officer of the Coir Board Office in their State.

Mahila Coir Yojana

Objectives

Mahila Coir Yojana is the first women-oriented self-employment programme in the industry. The scheme envisages distribution of motorized and motorized traditional coir yarn spinning ratts to the women coir workers who are trained to operate the ratt and are able to raise the beneficiary contribution from their own resources, sponsoring organization or take a loan.

Salient Features

(i) The Mahila Coir Yojana Scheme is being implemented by the Coir Board all over the country.

(ii) Under this scheme, women coir workers are given subsidy to the extent of 75% of the cost of the motorized ratt (upto a maximum of Rs. 7,500/-) or a motorized traditional ratt (upto a maximum of Rs. 2,925).

(iii) As part of the implementation of the schemes, a two-month training programme is organised at all training centres of the Coir Board.

Eligibility

Applicants in the 18-45 age group and who have successfully completed training in motorized ratt/motorized traditional ratt are eligible to get motorized ratts/motorized traditional ratts for spinning coir yarn under Mahila Coir Yojana. The needs of balanced regional development are also kept in view in the selection of beneficiaries.

TYPE OF CUSTOMERS

In this Chapter, for the convenience of study, types of Borrowers have been classified as under:

1. Individual
2. Partnership firm.
3. Hindu Undivided Family
4. Companies
5. Statutory Corporations
6. Trusts and Co-op Societies
7. Limited liability Patnership

One of the essential elements of a contract is “capacity of the parties to Contract”.
The Bank while dealing with an individual should ensure that he is competent to enter into contract. An individual is not competent to contract and money lent to him cannot be recovered in the following circumstances:

a) If an individual is a minor:

A person is minor in the eyes of the law if has not attained the age of 18 years under Indian Majority Act and the age of 21 years, if he/she is a ward, under the Guardians and Wards Act. The money lent to a minor cannot be recovered, if the minor fails to repay. Exception to this is a contract with a minor for supply of necessaries to the minor. If a Bank lends money to a minor to meet expenses for purchasing necessaries of life, then bank can recover the money from the estate of the minor.

b) If an individual is not of sound mind:

According to the Contract Act, if a person is not of sound mind, then he is incompetent to enter into a contract. The Act says that a person at the time when he makes the contract, he is not capable of understanding it and of forming a rational judgment as to its effect upon his interests, will be considered that he is ‘not of sound mind’. Hence, a contract would be invalid if it is proved that the time of entering into contract, the person was not in sound state of mind and could not understand what he was doing and could not understand the implications of entering into the contract.

c) Disqualified persons:

If a person is disqualified by the law in respect of his capacity to contract, then the contract entered into by such a person cannot be enforced. For example, a person might have been declared as insolvent under the Insolvency law. As long as the person continues to be undischarged insolvent, he cannot enter into contract.

2. PARTNERSHIP FIRM

‘Partnership Firm’ is another entity with which a Banker deals with in the course of his business. Partnership firm is governed by Indian Partnership Act 1932. A partnership is the relation between persons who have agreed to share the profits of a business, carried on by all or any of them acting for all. The relationship between partners is governed by partnership deed which can be written or unwritten.

Legal Position of a partnership:

A partnership is not distinct from its partners. The liability is joint and several. It means that they responsible for the act of the partnership firm in their capacity as partner as well as individual. The Indian Partnership Act 1932, provides for registration of the partnership and it is necessary that a Banker dealing with partnership firm, should verify as to whether the firm is registered or not. This would help him to know all the names of the partners and their relationship.

Authority of the Partners:

Section 19 of the Indian Partnership Act 1932 deals with the implied authority of a partner as an agent of the firm; and Section 22 deals with the mode of doing act to bind the firm. In view of the provisions of Section 19 and 22, it should be noted that the act of a partner shall be binding on the firm if done:
a) in the usual business of the partnership;
b) in the usual way of the business; and
c) as a partner, i.e. on behalf of the firm and not solely on his own behalf.

Business of partnership firm: Mode of Operation

Rights and duties of the partners are determined by Partnership Deed. It provides for opening of bank accounts, borrowing powers, signing of cheques etc. Generally there may be a managing partner, who conducts business on behalf of other partners. While dealing with partnership firms it should be ensured that business is conducted as per partnership deed. If the Managing Partner does not have power to conduct certain transaction, then it should be ensured that consent of all partners is obtained.

Partnership firm and transaction in immovable property:
Section 19 of the Indian Partnership Act 1932 states that a partner cannot effect transfer of immovable property of the firm unless expressly authorized. While taking mortgage security of firm's immovable property, it should be ensured that the partner creating mortgage is expressly authorized to create mortgage. If the partner has no authority to create mortgage, then the banker should ensure that all the partners jointly create the mortgage.
Insolvency of the firm:
The banker on receiving notice of insolvency of the firm must immediately stop further transaction in the account irrespective of the fact that the account is in credit or debit. In case there is a credit balance, and the banker does not intend to set off the same against the dues in any other account, then the balance has to be handed over to the official receiver appointed by the Court or as directed by the Court. In case the account is in debit then the banker would be required to prove his debt before the Court and thereafter will be entitled to receive the same from the Official Receiver either in full or as per the dividend declared by the Court.
Insolvency of the Partner:
If at the time of insolvency of one of the partners the firms account is in credit then the same can be operated by the other partners, but the banker should obtain a fresh mandate and all previous cheques issued by the insolvent partner may be paid provided the other partners confirm the same. In case the account is in debit then further transactions in the account should be stopped.
Death of a partner:
In case of death, the principles, as stated* in the case of Insolvency of a partner, applies.
3. JOINT HINDU FAMILY (JHF) or HINDU UNDIVIDED FAMILY (HUF)
Joint Hindu Family is an entity of customary law among Hindus. This is governed by personal laws. In Bengal and other parts of erstwhile Bangal province, a Hindu Undivided Family is governed by Dayabhaga Law. In other parts of India, it is governed by Mitakshara Law.

Constitution of a Joint Hindu Family:

A Joint Hindu Family consists of male members descended lineally from a common male ancestor, together with their mothers, wives or widows and unmarried daughters bound together by fundamental principle of family relationship. The Joint Hindu Family is purely a creature of Law and cannot be created by act of parties in so far as he manages the family property or business or looks after the family interests on behalf of the other members. The Managership of the JHF property comes to a person by birth and he does not owe his position as Manager on consent of the other co-parceners. The liability of the Karta is unlimited, whereas the liability of the co-parceners is limited to their shares in the Joint Family Estate.

Powers and Duties of the Manager

A Manager or Karta of a Joint Hindu Family has the following powers and duties:

Powers:

i. Right to possession and management of the joint family property.
ii. Right to income from the joint family property
iii. Right to represent the joint family
iv. Right to sell the joint family property for family purpose.

Duties:

v. Duty to run the family business and manage the property for the benefit of the family
vi. Duty to account the income from the joint family business and property.

Banker and his dealings with Joint Hindu Family

i. A banker dealing with JHF, should know the Karta of the family.
ii. Banker should ensure that Karta of the Joint Hindu Family deals with the Bank and borrows only for the benefit of Joint Family Business.
iii. The application to open the account must be signed by all the members and all adult members should be made jointly and severally liable for any borrowings or if the account gets overdrawn.

4. COMPANIES

A Company is another type of customer, which a banker deals with. A company is a juristic person created by law, having a perpetual succession and Common Seal distinct from its members. A Company depending upon its constitution is governed by various laws.

Basic Law Governing Company:

In India Companies are governed by Companies Act, 1956. All the companies are required to be registered under Companies Act, 1956.

The Business and objectives of a company are known by two important documents called Memorandum of Association and Article of Association. Therefore for the formation of company these documents are essential.

Memorandum of Association

The Memorandum of Association is charter of a company. Its purpose is to enable the shareholders, creditors and those dealing with the company to know its permitted range of business.

Memorandum of Association of a company contains the following details among others:

i. Name of the company
ii. Place of the business of the company
iii. Objects of the Company
iv. Name of the first Directors of the company
v. Share capital of the company

Articles of Association

Articles of Association are rules and regulations governing the internal management of the company. They define the powers of the officers of the company. Articles of

Association are subordinate to Memorandum of Association and it contains the following details among other things:
i. Number of Directors of the company
ii. Procedure for conducting meeting of shareholders, Board of Directors etc.
iii. Procedure for transfer and transmission of shares.
iv. Borrowing powers of the company
v. Officers of the company and other details

Types of Companies:

A. Private Company:

According to Section 3 (1) (iii), a Private Company is one which contains following provisions in its Articles of Association:

i. Restriction on the right to transfer its shares.
ii. Limitation on number of members to fifty excluding the people, who are employees and ex-employees of the company.
iii. Prohibition as to participation by General public in its capital requirements.
iv. B. Public Company:
v. A Public Company is one which is not a Private Company i.e. a Public Company does not have any restrictions of the Private Company and its main features are as follows:
vi. Shares are freely transferable.
vii. . No restriction on number of members
viii. Public at large can participate in its share capital.
ix. The Public Company can be further classified as
x. (a) Limited Liability Company – Liability is limited to the share in capital.
xi. (b) Unlimited Liability Company – Liability of the members is unlimited
xii. (c) Limited by Guarantee - liability is limited to the amount guaranteed
xiii. C. Government Company:
xiv. A company in which Central Government or State Government or both has not less than 51 % of share capital.
xv. D. Statutory Companies:
xvi. There are some companies established by an act of Parliament. These are called Statutory Corporations. For example, State Bank of India is established under State Bank of India Act, 1955. Nationalised Banks are established under Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.
xvii. E. Other Companies:
xviii. Besides the above, Companies Act, 1956 classifies companies on the basis of time, place of incorporation and nature of working into the following categories:
xix. i.Existing Company:A company existing already before the coming into force of Companies Act, 1956.
xx. ii.Foreign Company: A company registered in a Foreign Country.
xxi. iii.Holding Company: A company owning more than 50 % of share capital in another company or a company which can appoint majority of Directors in another company.
xxii. iv. Subsidiary Company: it can be seen that when there is a holding company the other company is called Subsidiary Company.
xxiii. **5. OTHER TYPE OF CUSTOMERS**
xxiv. (i) Clubs, Societies, Schools:
xxv. These bodies are usually governed by Companies Act or co-operative Societies Act and function within the ambit of those laws. For example clubs can be registered either under the Companies Act, 1956 or under Societies Registration Act or Co- operative Societies Act. In the case of lending to these bodies a Banker should study the

bye-laws, rules and regulations applicable to them and ascertain the legality of lending to them.

xxvi. (ii) Trusts:

These are governed by Indian Trusts Act, 1882, if they are Private Trusts and if they are public trust, they are governed by Public Trusts Act or Religious and Charitable Endowments Act, if they are Trusts of Hindus and in the case of Muslims they are governed by Wakf Act.

A Banker dealing with Trusts should acquaint himself with the respective laws applicable to them and shall ensure that his lending is within the ambit of those laws.

(iii) Trustee:

The Trusts are managed by Trustees. The powers and duties of the Trustees are either provided in Trust deed or regulated by the respective laws applicable to such Trusts. For example in the case of Public Trusts, Charity Commissioners, or Commissioner of Endowments appointed by Government has power to supervise the activities of the Trusts. The Trustee of Muslim Wakf is called Mutawali and his conduct and function is regulated by Wakf Board. Therefore a Banker dealing with a Trust should ensure that all the permissions required for taking a loan is obtained from the respective Government authorities.

7. Limited Liability Partnership :

Limited Liability Partnership (LLP) is a new corporate structure that combines the flexibility of a partnership and the advantages of limited liability of a company at a low compliance cost. In other words, it is an alternative corporate business vehicle that provides the benefits of limited liability of a company, but allows its members the flexibility of organizing their internal management on the basis of a mutually arrived agreement, as is the case in a partnership firm. Owing to flexibility in its structure and operation, it would be useful for small and medium enterprises, in general, and for the enterprises in services sector, in particular.
Internationally, LLPs are the preferred vehicle of business, particularly for service industry or for activities involving professionals.

Types of Credit Facilities

1Fund based lending
2) Non fund based lending

Fund based lending, where the lending bank commits the physical outflow of funds. The various forms in which fund based lending may be made by banks.

The facilities like Overdrafts,Cash Credit A/c, Bills Finance, Demand Loans, Term Loans etc, wherein immediate flow of
funds available to borrowers, are called funds based facility. The non fund based facilities like issuance of letter of guarantee, letter of credit wherein banks get fee income and there is no immediate outfow of funds from bank.

Overdrafts: Overdraft means allowing the customer to draw cheques over and above credit balance in his account. Overdraft is normally allowed to Current Account Customers and in exceptional case SB A/c holders are also allowed to overdraw their account. The high rate of interest is charged but only on daily debit balance. An overdraft is repayable on demand. There are two types of overdraft prevalent in Banks i.e. (i) Temporary overdraft or clean overdraft (ii) Secured overdraft. Temporary overdrafts are allowed purely on personal credit of the party and it is for party to meet some urgent commitments on rare occasions. Allowing a customer to draw against his cheques sent in clearing also falls under this category. Secured overdraft is allowed up to a certain limit against some tangible security like bank deposits, LIC policies, National Saving Certificates, shares and other similar assets. Secured overdraft is most popular with traders as lesser operating cost, simple application and document formalities are involved in this facility.

Cash Credit Account (CC A/C): Cash credit account is a running account just like a current account where debit balance in the account up to a sanctioned limit or drawing power Budget or Projected Balance Sheet. Cash Credit facility is o (receivables), stocks of raw materials, semi submitting periodic stock statements. For such customers also CC facility is provided by banks against pledge of gold jewellary, assignment of Life policies, or against security of customer's deposit in the same bank. When prime security is, jewels or life policies, NSC, bank deposits, there is no need to submit periodic stock statements. In case of manufacturing units this facility is required for purchase of raw materials, processing and converting them into purchase of goods which they deal.

Bills Finance: Bills finance is short term and self liquidating finance in nature. Demand Bill is purchasedand Usance bill is discounted by the banks. The bills drawn under Letter of Credit (LC may be on sight draft or usance draft) are negotiated by the banks. The advantage of bills money from the bank for the goods sold by him irrespective of whether it is a purchase, discount or negotiation by the bank according to type of bills.Demand bills can be documentary or clean. Usually banks accept only documentary bills for purchase. However purchase of clean bills from good parties also permitted by banks based on sanction terms of the limit. Usance bills means bills maturing on a future date. Documentary usance bills may be on D/P (Delivery against payment) or D/A (Delivery against Acceptance) terms. In case of D/P terms the documents of title to goods are delivered to the buyer of the goods (drawee) against payment of bill amount. In case of D/A bills, the documents to the title of goods are to be delivered to the drawee (Buyer) against acceptance of bills. Hence a banker will take into consideration the credit worthiness not only of the borrower but also of the drawee because bills become clean after it is delivered to drawee on acceptance.

Demand Loans: Demand loans are secured loans repayable on demand. Demand loan is granted against marking lien on bank's own fixed deposits (Not against deposits of other banks), Assignment of Life Insurance Policies with adequate surrender value (loan can not be granted against policies issued under married woman property act or beneficiary is a minor etc) , National Saving Certificates and so on. Demand loans can be gradually liquidated over a period generally in monthly, quarterly, half yearly installments or lump-sum payment at one shot or it can be closed from maturity proceeds of the security offered.

Term Loans: The nature of a term loan commitment is long term. Maximum maturity for a term loan including moratorium is normally 10 years and in exceptional cases 15 years. Repayment of loan is from the cash generation out of operation of the unit/company. Term Loan appraisal must cover appraisal of the borrower and appraisal of the project. Appraisal of the borrower must cover integrity, standing of the borrower, business capacity, managerial competence, project. The sources of information for the above may be from Merchant reports, Bank reports, CIBIL report, declaration received from the promoters about their assets and liabilities, internal and external Credit rating and so on. Assistance from venture capitalists like UTI venture, ICICI ventures etc. can also be solicited. Appraisal of a project would cover market demand for the product, competition, quality and price sensitivity of the product, terms of sales and after sales services arrangements envisaged by the company. Competition perception according to minds of customer and bankers can be di availability of infrastructure should be favorable to the unit/company. Production Process should be contemporary and spare parts whether easily be available lest there would be stoppage of production due to non availability of spare parts. Issues like arrangement of working capital
Working capital beyond 30% of paid up capital of the company or 30% of paid up reserve of the bank whichever is lower.

Retail Credit: Retail credits are Car Loans, Consumer Durables/, Educational Loans, Housing Loans, House improvement Loan, Professionals Personal Loans, Clean Loans, Jewel Loan, Pensioners Loan, Credit Cards etc. KYC formalities like verification of proof of identity and proof of address etc, are important and
under retail schemes. SB pass book or statement of account is to be verified to match the details submitted by the applicant. In case of employed persons, normally loan will be considered only to confirmed employees. Employer's no objection certificate/salary certificates are other requirements for retail loans. In case of self employed, IT return for past 2-3 years would be verified to asses the repayment capacity of the applicant. No due certificate from existing banker, CIBIL report is the other requirement to consider retail loans.

Leasing Finance: A lease is a contract between the owner (lessor) and the user (lessee). There is various type of lease viz. operating lease, finance lease etc. In terms of lease agreement the lessor pays money to the supplier who in turn delivers the article to the lessee. The lessee (hirer of the article) makes periodical payment to the lessor. At the end of lease period the asset is restored to the lessor. Commercial banks in India have been financing the activities of leasing companies, by providing overdraft/Cash credit account/Demand loan against fully paid new machineries or equipment by hypothecation of security. The repayment should be from rentals of machineries/ equipment leased out. The maximum period of repayment is
Lease contracts are only for productive purpose and not for consumer durables.

Hire-Purchase finance: Hire-Purchase transactions are very similar to leasing transactions. In hire –purchase agreement, at the end of the stipulated period, the hirer(lessee) has options either to return the asset to leasing company while terminating the agreement or purchase the asset upon terms set out in the agreement In terms of leasing agreement the ownership continues to remains with the Leasing company(Lessor). Since hire-purchase finance takes place predominantly in automobile sector, banks have started direct finance to transport operator as the nature of advance being classified as priority sector lending.

Non Fund Business

Bank Guarantee: As a part of Banking Business, Bank Guarantee (BG) Limits are sanctioned and guarantees are issued on behalf of our customers for various purposes. Broadly, the BGs are classified into two categories:

i) Financial Guarantees are direct credit substitutes wherein a bank irrevocably undertakes to guarantee the payment of a contractual financial obligation. These guarantees essentially carry the same credit risk as a direct extension of credit i.e. the risk of loss is directly linked to the creditworthiness of the counter-party against whom a potential claim is acquired. Example – Guarantees in lieu of repayment of financial securities/margin requirements of exchanges, Mobilization advance, Guarantees towards revenue dues, taxes, duties in favour of tax/customs/port/excise authorities, liquidity facilities for securitization transactions and deferred payment guarantees.

ii) Performance Guarantees are essentially transaction-related contingencies that involve an irrevocable undertaking to pay a third party in the event the counterparty fails to fulfill or perform a contractual obligation. In such transactions, the risk of loss depends on the event which need not necessarily be related to the creditworthiness of the counterparty involved. Example – Bid bonds, performance bonds, export performance guarantees, Guarantees in lieu of security deposits/EMD for participating in tenders, Warranties, indemnities and standby letters of credit related to particular transaction. Though, BG facility is a Non-fund Facility, it is a firm commitment on the part of the Bank to meet the obligation in case of invocation of BG. Hence, monitoring of Bank Guarantee portfolio has attained utmost importance. The purpose of the guarantee is to be examined and it is to be spelt out clearly if it is Performance Guarantee or Financial Guarantee. Due diligence of client shall be done, regarding their experience in that line of activity, their rating/grading by the departments, where they are registered. In case of Performance Guarantees, banks shall exercise due caution to satisfy that the customer has the necessary experience, capacity and means to perform the obligations under the contract and is not likely to commit default. The position of receivables and delays if any, are to be examined critically, to understand payments position of that particular activity. The financial position of counter party, type of Project, value of Project, likely date of completion of Project as per agreement are also to be examined. The Maturity period, Security Position, Margin etc. are also to be as per Policy prescriptions and are important to take a view on charging BG Commissions.
Branches shall use Model Form of Bank Guarantee Bond, while issuing Bank Guarantees in favour of Central Govt. Departments/Public Sector Undertakings. Any deviation is to be approved by Zonal Office. It is essential to have the information relating to each contract/project, for which BG has been issued, to know the present stage of work/project and to assess the risk of invocation and to exercise proper control on the performance of the Borrower. It is to be ensured that the operating accounts of borrowers enjoying BG facilities route all operations through our Bank accounts. To safeguard the interest of the bank, Branches need to follow up with the Borrowers and obtain information and analyze the same to notice the present stage of work/project, position of Receivables, Litigations/Problems if any leading to temporary cessation of work etc.
The Financial Indicators/Ratios as per Banks Loan Policy guidelines are to be satisfactory. Banks are required to be arrived Gearing Ratio (Total outside liabilities+proposed non-fund based limits / Tangible Networth - Non Current Assets) of the client and ideally it should be below 10.
In case where the guarantees issued are not returned by the beneficiary even after expiry of guarantee period, banks are required to reverse the entries by issuing notice (if the beneficiary is Govt. Department 3 months and one month for others) to avert additional provisioning. Banks should stop charging commission on expired Bank Guarantees with effect from the date of expiry of the validity period even if the original Bank Guarantee bond duly discharged is not received back.
Letter of Credit: A Letter of Credit is an arrangement by means of which a Bank (Issuing Bank) acting at the request of a customer (Applicant), undertakes to pay to a third party (Beneficiary) a predetermined amount by a given date according to

agreed stipulations and against presentation of stipulated documents. The documentary Credit are akin to Bank Guarantees except that normally Bank Guarantees are issued on behalf of Bank's clients to cover situations of their non performance whereas, documentary credits are issued on behalf of clients to cover situation of performance. However, there are certain documentary credits like standby Letter of Credit which are issued to cover the situations of non performance. All documentary credits have to be issued by Banks subject to rules of Uniform Customs and Practice for Documentary Credits (UCPDC). It is a set of standard rules governing LCs and their implications and practical effects on handling credits in various capacities must be possessed by all bankers. A documentary credit has the seven parties viz., Applicant (Opener), Issuing Bank (Opening of LC Bank), Beneficiary, Advising Bank (advises the credit to beneficiary), Confirming Bank – Bank which adds guarantee to the credit opened by another Bank thereby undertaking the responsibility of payment/negotiation/acceptance under the credit in addition to Issuing Bank), Nominated Bank – Bank which is nominated by Issuing Bank to pay/to accept draft or to negotiate, Reimbursing Bank – Bank which is authorized by the Issuing Bank to pay to honour the reimbursement claim in settlement of negotiation/acceptance/payment lodged with it by the paying / negotiating or accepting Bank. The various types of LCs are as under:

i) **Revocable Letter of Credit** is a credit which can be revoked or cancelled or amended by the Bank issuing the credit, without notice to the beneficiary. If a credit does not indicate specifically it is a revocable credit the credit will be deemed as irrevocable in terms of provisions of UCPDC terms.

ii) **Irrevocable Letter of credit** is a firm undertaking on the part of the Issuing Bank and cannot be cancelled or amended without the consent of the parties to letter of credit, particularly the beneficiary.

iii) Payment Credit is a sight credit which will be paid at sight basis against presentation of requisite documents as per LC terms to the designated paying Bank.

iv**) Deferred Payment Credit** is a usance credit where payment will be made by designated Bank on respective due dates determined in accordance with stipulations of the credit without the drawing of drafts.

v) **Acceptance Credit** is similar to deferred credit except for the fact that in this credit drawing of a usance draft is a must.

vi) **Negotiation Credit** can be a sight or a usance credit. A draft is usually drawn in negotiation credit. Under this, the negotiation can be restricted to a specific Bank or it may allow free negotiation whereby any Bank who is willing to negotiate can do so. However, the responsibility of the issuing Bank is to pay and it cannot say that it is of the negotiating Bank.

vii) **Confirmed Letter of Credit** is a letter of credit to which another Bank (Bank other than Issuing Bank) has added its confirmation or guarantee. Under this, the beneficiary will have the firm undertaking of not only the Bank issuing the LC, but also of another Bank. Confirmation can be added only to irrevocable and not revocable Credits. the amount is revived or reinstated without requiring specific amendment to the credit. The basic principle of a revolving credit is that after a drawing is made, the credit reverts to its original amount for re-use by beneficiary. There are two types of revolving credit viz., credit gets reinstated immediately after a drawing is made and credit reverts to original amount only after it is confirmed by the Issuing Bank.

ix**) Installment Credit** calls for full value of goods to be shipped but stipulates that the shipment be made in specific quantities at stated periods or intervals.

x) **Transit Credit –** When the issuing Bank has no correspondent relations in beneficiary country the services of a Bank in third country would be utilized. This type of LC may also be opened by small countries where credits may not be readily acceptable in another country.

xi) **Reimbursement Credit** – Generally credits opened are denominated in the currency of the applicant or beneficiary. But when a credit is opened in the currency of a third country, it is referred to as reimbursement credit.

xii) **Transferable Credit –** Credit which can be transferred by the original beneficiary in favour of second or several second beneficiaries. The purpose of these credits is that the first beneficiary who is a middleman can earn his commission and can hide the name of supplier.
xiii) **Back to Back Credit/Countervailing credit** – Under this the credit is opened with security of another credit. Thus, it is basically a credit opened by middlemen in favour of the actual manufacturer/supplier.
xiv) **Red Clause Credit** – It contains a clause providing for payment in advance for purchasing raw materials, etc.
xv) **Anticipatory Credit –** Under this payment is made to beneficiary at preshipment stage in anticipation of his actual shipment and submission of bills at a future date. But if no presentation is made the recovery will be made from the opening Bank.
xvi**) Green Clause Credit** is an extended version of Red Clause Credit in the sense that it not only provides for advance towards purchase, processing and packaging but also for warehousing & insurance charges. Generally money under this credit is advanced after the goods are put in bonded warehouses etc., up to the period of shipment.
Other concepts
i)**Bill of Lading**: It should be in complete set and be clean and should generally be to order and blank endorsed. It must also specify that the goods have been shipped on board and whether the freight is prepaid or is payable at destination. The name of the opening bank and applicant should be indicated in the B/L.
ii) **Airway Bill:** Airway bills/Air Consignment notes should always be made out to the order of Issuing Bank duly mentioning the name of the applicant.
iii)**Insurance Policy or Certificate:** Where the terms of sale are CIF the insurance is to be arranged by the supplier and they are required to submit insurance policy along with the documents.
iv) **Invoice:** Detailed invoices duly signed by the supplier made out in the name of the applicant should be called for and the invoice should contain full description of goods, quantity, price, terms of shipment, licence number and LC number and date.
v) **Certificate of Origin:** Certificate of origin of the goods is to be called for. Method of payment is determined basing on the country of origin.
vi) Inspection Certificate: Inspection certificate is to be called for from an independent inspecting agency (name should be stipulated) to ensure quality and quantity of goods. Inspection certificate from the supplier is not acceptable

Types of Ratios

There is a two way classification of ratios: (1) traditional classification, and (2) functional classification. The traditional classification has been on the basis of financial statements to which the determinants of ratios belong. On this basis the ratios are classified as follows:
1**. 'Statement of Profit and Loss Ratios**: A ratio of two variables from the statement of profit and loss is known as statement of profit and loss ratio. For example, ratio of gross profit to revenue from operations is known as gross profit ratio. It is calculated using both figures from the statement of profit and loss
2. **Balance Sheet Ratios**: In case both variables are from the balance sheet, it is classified as balance sheet ratios. For example, ratio of current assets to current

liabilities known as current ratio. It is calculated using both figures from balance sheet.

3. **Composite Ratios**: If a ratio is computed with one variable from the statement of profit and loss and another variable from the balance sheet, it is called composite ratio. For example, ratio of credit revenue from operations to trade receivables (known as trade receivables turnover ratio) is calculated using one figure from the statement of profit and loss (credit revenue from operations) and another figure (trade receivables) from the balance sheet. Although accounting ratios are calculated by taking data from financial statements but classification of ratios on the basis of financial statements is rarely used in practice. It must be recalled that basic purpose of accounting is to throw light on the financial performance (profitability) and financial position (its capacity to raise money and invest them wisely) as well as changes occurring in financial position (possible explanation of changes in the activity level). As such, the alternative classification (functional classification) based on the purpose for which a ratio is computed, is the most commonly used classification which is as follows:

1. **Liquidity Ratios**: To meet its commitments, business needs liquid funds. The ability of the business to pay the amount due to stakeholders as and when it is due is known as liquidity, and the ratios calculated to measure it are known as 'Liquidity Ratios'. These are essentially short-term in nature.

2. **Solvency Ratios:** Solvency of business is determined by its ability to meet its contractual obligations towards stakeholders, particularly towards external stakeholders, and the ratios calculated to measure solvency position are known as 'Solvency Ratios'. These are essentially long-term in nature.

3. **Activity (or Turnover) Ratios**: This refers to the ratios that are calculated for measuring the efficiency of operations of business based on effective utilisation of resources. Hence, these are also known as 'Efficiency Ratios'.

4. **Profitability Ratios**: It refers to the analysis of profits in relation to revenue from operations or funds (or assets) employed in the business and the ratios calculated to meet this objective are known as 'Profitability Ratios

1. LIQUIDITY RATIOS:

These Ratios helps to find out the ability of the business concern to pay the short term liability of its liquidity. Any adverse position in liquidity leads to sudden fall of the unit.

i) **Current Ratio:** Current Ratio denotes the capacity of the business concern to meet its current obligation out of the total value of the Current Assets. Current Ratio = Current Assets / Current Liabilities. Term Loan installments falling due for payment in next 12 months are to be taken as Term Liability for the purpose of calculation of Current Ratio /MPBF. Inter-corporate deposits are to be treated as Non-Current Assets. Ideal Current Ratio is 2:1. Acceptable Ratio as per our Loan Policy guidelines is 1.33:1 for the limits enjoying above `6.00 crores and 1.15:1 for the business concerns availing limits of below `6.00 crores. Any deviation below the required ratio requires ratification of Higher Authority.

ii) **Quick Ratio Or Acid Test Ratio:** This ratio is a comparison of Quick Assets to Current Liabilities. Quick Assets mean the assets which have instant liquidity of the business concern. Though the Inventory and Prepaid expenses are part of Current Assets, it may be difficult to sell and realize the inventory. Hence, Inventory and Prepaid expenses are to be excluded for arriving the Quick Asset Ratio.

$$\text{Quick Ratio or Acid Test Ratio} = \frac{\text{Current Assets} - (\text{Inventory} + \text{Prepaid Exp})}{\text{Current Liabilities}}$$

Ideal Quick Ratio is 1:1. Current Ratio is always to be read along with Quick Ratio. A fall in the Quick Ratio in comparison to the Current Ratio indicates high inventory holdings.

2. LEVERAGE AND SOLVENCY RATIOS:

These Ratios helps to find out the Long Term Financial stability of the business concern

i)Debt Equity Ratio:

Long Term Debt / Equity – Here, Equity refers Tangible Net worth. The Ideal ratio is 2:1 and the higher may also be considered as safe.

ii) **Debt Service Coverage Ratio**: It helps to know the capacity of the firm to repay the Long Term Loan Instalment and Interest. Ideal DSCR is 2:1. The higher the DSCR, we may fix the lower repayment period. However, banks may also consider DSCR 1.20:1 where fixed income generation is assured, such as Rent Receivables etc.

$$\text{DSCR} = \frac{\text{Net Profit After Tax + Depreciation +Int. on TL}}{\text{Int. on TL + Instalment on TL}}$$

iii) **Fixed Assets Coverage Ratio (FACR)**: This ratio indicates the extent of Fixed assets met out of long term borrowed funds. Ideal Ratio is 2:1

$$\text{FACR} = \frac{\text{Net Block}}{\text{Long Term Debt}}$$ (Net Block means Total Assets– Depreciation)

iv) **Interest Coverage Ratio**:

$$\text{Interest Coverage Ratio} = \frac{\text{EBIDT}}{\text{Interest}}$$

Where EBIDT is Earning Before Interest, Depreciation and Tax. This ratio indicates the interest servicing capacity of the unit. Higher the ratio has probability of nonservicing of interest and hence avoidance of slippage of asset.

3. ACTIVITY RATIOS:

i) **Inventory Turnover Ratio**: Inventory constitutes raw material, work in process, finished goods etc. The ratio is arrived by dividing Inventory by average monthly Net sales to arrive at inventory levels in number of months. Lower the ratio, the faster the movement of inventories and Higher the ratio slower the movement of inventories. It also indicates the time taken to replenish the inventories. Separate parameters are laid down for fabrication units & seasonal industries (maintaining peak level inventories as at March) where operating cycle is longer compared to other businesses and others.

Inventory x (RM+WIP+FG) x 12 (OR) Cost of Goods Sold

Net Sales = Average Stock ((Opening Stock+Closing stock)/2)

ii**) Debtors Velocity Ratio**: $\frac{\text{Debtors}}{\text{Credit sales}} \times \text{period}$

Lower the collection period indicates efficiency in realization of receivables and viceversa.

iii) **Creditors Velocity Ratio**: $\frac{\text{Trade Creditors}}{\text{Credit Purchase}} \times \text{period}$

Higher velocity denotes that the company is enjoying credit from its suppliers and it has bearing on Maximum Permissible Bank Finance (MPBF)

iv) **Assets Turnover Ratio**:

$$\text{ASSET TURNOVER RATIO} = \frac{\text{Net Sales}}{\text{Total Operating Assets}}$$

Total Operating Assets= Total Assets – Intangible Assets.
Higher the ratio indicates favorable situation of optimum utilization of all the fixed assets.

4. PROFITABILITY RATIOS:

i) **Gross Profit Ratio** -> Gross Profit/Net Sales*100 – Gross Profit Ratio indicates the manufacturing efficiency and Pricing policy of the concern. Higher percentage indicates higher sales volume, better pricing of the product or lesser cost of production

ii**) Net Profit Ratio**:

$$\frac{\text{Net Profit After Tax}}{\text{Net Sales}} \times 100$$

A decline trend is a pointer to some unhealthy development unless the company had made usurious profits in the past and has consciously decided to reduce its profits by lowering the prices of its product.

iii) **Return on Equity**:

$$\frac{\text{Net Profit After Tax}}{\text{Tangible Networth}} \times 100$$

Working Capital Assessment

i) **Turnover Method**: (for WC limits up to & inclusive of `6.00 Crore)
A. Accepted Projected Sales Turnover
B. 25% of Sales Turnover
C. Margin @ 5 % of Sales Turnover
D. Actual NWC available as per latest Audited Balance Sheet
E. B-C
F. B-D
G. M.P.B.F = E or F, whichever is less.

ii) **Inventory Method** – For WC limits up to & inclusive of `6.00 Crore
A. Total Current Assets
B. Current Liabilities (other than Bank Borrowings)
C. Working Capital Gap = A – B
D. Margin @ 13% of Projected Current Assets
E. Actual NWC available as per latest Audited Balance Sheet
F. C-D
G. C-E
H. M.P.B.F = F or G, whichever is less.

_ Maximum Working Capital credit limit up to which Turn Over method can be extended is `6 Crores. Where the limits of above `6.00 Crore, the margin is to be taken as 25% projected current assets. If actual NWC is less than required margin, the borrower has to bring in the short fall.
_ The minimum acceptable Current Ratio for working capital credit facility up to `6 crore & above `6 crore is 1.15 & 1.33 respectively.
_ Maximum acceptable level of Total Debt- Equity Ratio is 4.
_ Maximum permissible Gearing Ratio while assessing the eligibility for nonfunded limits is 10.
_ Standard average DSCR specified for all Term Loans is 1.50 to 2.00. However, in case of assured source of income, it can be taken as 1.20. Lower DSCR can be accepted for Rural Godowns.

Terms used in Financial statement analysis

1	Net Sales	Gross Sales minus returns, discounts, excise duty.
2	Raw Materials consumed	Opening Stock of raw materials plus purchases of raw materials less Dosing stock of raw material .
3	Cost of Production	Raw materials consumed, stores and spares consumed, power and fuel, direct labour, repairs and maintenance, other manufacturing expenses and depredation plus opening stock of stock in process minus dosing stock of stock in process.
4	Cost of Sales	Cost of production (3) plus opening stock of finished goods minus dosing stock of finished goods.
5	Gross Profit	Net Sales - Cost of Sales (Item 1 minus Item 1)
6	Operating Profit	Gross Profit (5) minus interest, selling general and administrative expenses.
7	Net Profit before tax	Operating profit plus other incomes minus other expenses
8	Net Profit after tax	Profit before taxation minus provision for taxes.
9	Retained Profit	Net profit minus dividend paid / dedared
10	Cash Profit	Profit before charging Depreciation (Net Profit + Depredation)
11	Cash-Loss	Loss before charging Depredation (Net Loss — Depredation)
12	Assets	Things owned by a business Not converted into cash in normal course of business, These are acquired to use them in the production of other goods and services.
13	Fixed Assets	
14	Current Assets	Assets which are meant to be converted into cash or consumed in normal course of business say within 1 year. These are also called as gross working capital.

15	Intangible Assets	Expenditure on invisible assets, likely to yield benefit to the company in future e.g. goodwill, patent, trade marks, designs.
16	Fictitious Assets	Which have notional value only e.g. losses, preliminary expenses.
17	Miscellaneous Assets or Non current assets	Which can't be classified as current, fixed or intangible e.g. inter Corporate investment
18	Tangible Assets	Total asset side of balance sheet minus intangible assets.
19	Quick Assets	Assets which can be converted to cash quickly. Cash, bank balances, marketable investments, bills receivables and sundry debtors considered goal. (Current Assets minus-Inventories & Prepaid Expenses)
20	Liabilities	Things owed by the business.
21	Owners Equity (Net Worth)	Paid up share capital, reserves and surplus, preference shares with more than 12 years maturity.
22	Long term liabilities or Debt	Outsiders funds, payable in more than 12 months. Term loan (exduding instalment payable within 12 months) plus debentures maturing within more than one year, preference shares redeemable within 12years, deposits payable beyond one year.
23	Current Liabilities	Liabilities which are payable in less than one year e.g. sundry creditors, unsecured loans, advances from customers, interest accrued but not due, dividends payable, statutory liabilities, provisions, Bank borrowings for working capital etc
24	Total Outside Liabilities	Total of the liability side of balance sheet minus net worth
25	Tangible Net Worth	Total tangible assets minus total outside liabilities. Owner's funds minus Intangible & Fictitious assets ; Paid up capital plus reserves minus intangible assets
26	Gross Working Capital	Total of Current Assets
27	Net Working Capital	Current assets minus total current liabilities or Long Term Sources minus long term uses
28	Working Capital gap	Current Assets minus current liabilities other than Bank Borrowings.
29	Long term sources	Paid up capital, reserves and surplus (excluding specific reserves) i.e. Net Worth and long term liabilities.
30	Short Term Sources	Current Liabilities
31	Long Term Uses	Fixed Assets, Miscellaneous or Non. current assets, Intangible and Fictitious Assets (assets other than current assets)
32	Short Term Uses	Current Assets
33	Contingent Liabilities	Likely liability which may or may not arise on the happening or non happening of an event

(i) As per RBI guidelines, installments of term loans due within 12 months are not to be treated as

Priority Sector – RBI Guidelines

The need for commercial banks to improve Priority Sector advances was emphasized since 1968 with special focus on Agriculture and Small Scale industries. Initially there was no specific target fixed in respect of priority sector lending but in the year 1974 banks were advised to raise the share of these sectors to 1/3rd of their aggregate advances by March 1979. Subsequently, on the basis of the recommendations of the Working Group on the Modalities of Implementation of Priority Sector Lending and the Twenty Point Economic Programme by Banks under the chairmanship of Dr. K. S. Krishna swamy, all commercial banks were advised to achieve the target of priority sector lending at 40% of aggregate bank advances with specified sub-targets for lending to agriculture and weaker sections. The Internal Working Group of the RBI headed by Shri C. S. Murthy and the Shri Y.H.Malegam committee constituted to study issues and concerns in the Micro Finance institutions (MFI) sector, inter alia, had recommended review of the guidelines on priority sector lending. Subsequently, RBI has setup a Committee headed by Shri M V Nair to re-examine the existing classification and suggest revised guidelines with regard to Priority Sector lending classification and related issues. Subsequently, an Internal Working Group was set up by RBI in July 2014 to revisit the existing priority sector lending guideline and accordingly, revised guidelines are issued on 23.04.2015 which is as under:

1. Agriculture: The present distinction between direct and indirect agriculture is dispensed with. The lending to agriculture has been defined which includes Farm sector, Agriculture infrastructure and Ancillary activities. List of eligible activities under each category are furnished here under:

i) **Farm Credit:** Loans to individual farmers, including SHGs/JLGs directly engaged in agriculture and allied activities such as dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. The credit facilities to the above segments covers crop loans as well as term loans. Loans to farmers up to `50 lakh against pledge/hypothecation of agriculture produce for a period not exceeding 12 months. It also covers loans to corporate farmers, farmers' producer organizations, partnership firms and co-operatives of farmers.

ii) **Agriculture infrastructure**: Loans for construction of storage facilities (warehouses, market yards and silos) including cold storage units irrespective of their location. Soil conservation, watershed development programs, plant tissue culture, agri-biotechnology, seed production, production of bio-pesticides, biofertilizer and vermi composting are also cover under this category. To consider under priority, the aggregate sanction limit per borrower should not exceed `100 lakhs from the banking system.

iii) **Ancillary activities**: It covers, loans for setting up of Agri-clinics, Agri Business Centres, Food and Agro processing units (not exceeding `100 crore per borrower), loans to PACS, FSS, MFIs for on-lending to agriculture sector, and loans to cooperative societies of farmers up to `500 lakh for disposing of the produce of members. Outstanding deposits under RIDF and other eligible funds with NABARD on account of priority sector shortfall is considered as part of agriculture lending.

2. **Micro, Small and Medium Enterprises**: Manufacturing Enterprises are those engaged in manufacturing or production of goods. These are defined in terms of investment in Plant & Machinery. Loans extended to Medium Manufacturing Enterprises shall be classified as Priority Sector advances. Similarly, Service Enterprises are the enterprises engaged in providing or rendering of services. These are defined in terms of investment in Equipment. The modified definitions of MSM

Enterprises are as under:

No Category Investment in Plant & Machinery / Equipment
Manufacturing Service
1 Micro Enterprise Up to `25 lakhs Up to `10 lakhs
2 Small Enterprise `25 to `500 lakhs `10 to 200 lakhs
3 Medium Enterprise `500 to `1000 lakhs `200 to 500 lakhs
Bank loans to Micro, Small and Medium enterprises, for both manufacturing and service sectors are eligible to be classified under the priority sector. However, bank loans up to `500 lakh per unit to Micro and Small enterprises and `1000 lakh to Medium enterprises engaged in providing or rendering services are covered under priority sector advances. All loans sanctioned to units in the Khadi and Village Industries (KVI) sector, irrespective of their size of operations, location and amount of original investment in plant & machinery. Such advances will be eligible for consideration under the sub-target of 7% / 7.5% prescribed for Micro enterprises under priority sector.
3**. Housing Loans**: Loans to individuals up to `28 lakh in metropolitan centres (with population of ten lakh and above) and loans up to `20 lakh in other centres for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres should not exceed `35 lakh and `25 lakh respectively. However, housing loans to banks' own employees will be excluded. As housing loans which are backed by long term bonds are exempted from ANBC, banks should either include such housing loans to individuals up to `28 lakh in metropolitan centres and `20 lakh in other centres under priority sector or take benefit of exemption from ANBC, but not both. Further, housing loans to the following are also treated as priority sector:
_ Loans for repairs to damaged dwelling units of families up to `5 lakh in metropolitan centres and up to `2 lakh in other centres.
_ Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of `10 lakh per dwelling unit.
_ Loans sanctioned for housing projects exclusively for the purpose of construction of houses only to economically weaker sections and low income groups, the total cost of which does not exceed `10 lakh per dwelling unit, will qualify for priority sector status. However, the family income of the borrower should not exceed `2 lakh per annum irrespective of location.
_ Loans to Housing Finance Companies (HFC), for on-lending for the purpose of purchase/construction/reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of `10 lakh per borrower, provided the all inclusive interest rate (Interest rate, processing fee and service charges). However, this segment should not exceed five percent of the individual bank's total priority sector, on an ongoing basis. The maturity of bank loans should be co-terminus with average maturity of loans extended by HFCs. Banks should maintain necessary borrower-wise details of the underlying portfolio.
_ Outstanding deposits with NHB on account of priority sector shortfall.
_ Bank loans up to a limit of `5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centres.
4. **Education Loans**: Loans to individuals for education purposes including vocational courses up to `10 lakh in India and `20 lakh for abroad studies irrespective of the sanctioned amount will be considered as eligible for priority sector.

5. Social Infrastructure: Bank loans up to a limit of `5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centres.
6**. Renewable Energy**: Bank loans up to a limit of `15 crore to borrowers for purposes like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities viz.

street lighting systems, and remote village electrification. For individual households, the loan limit will be `10 lakh per borrower.

7. **Weaker Sections**: Priority sector loans to the following borrowers will be considered under weaker sections category:

No Category

1. Small and Marginal Farmers
2. Artisans, village and cottage industries where individual credit limits do not exceed `1 lakh
3. Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
4. Scheduled Castes and Scheduled Tribes
5. Beneficiaries of Differential Rate of Interest (DRI) scheme
6. Self Help Groups
7. Distressed farmers indebted to non-institutional lenders
8. Distressed persons other than farmers, with loan amount not exceeding `1 lakh per borrower to prepay their debt to non-institutional lenders
9. Individual women beneficiaries up to `1 lakh per borrower
10. Persons with disabilities
11. Overdrafts up to `5000/- under Pradhan Mantri Jan Dhan Yojana(PMJDY) accounts, provided the borrowers' household annual income does not exceed `100,000/- for rural areas and `1,60,000/- for non-rural areas
12. Minority communities as may be notified by Government of India from time to time 8. Investments by banks in securitised assets, representing loans to various categories of priority sector, except 'others' category, are eligible for classification under respective categories of priority sector.

9. Transfer of Assets through Direct Assignment/Outright purchases by banks representing loans under various categories of priority sector, except the 'others' category, will be eligible for classification under respective categories of priority sector.

10. Bank credit to MFIs extended for on-lending to individuals and also to members of SHGs / JLGs will be eligible for categorisation as priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, and 'Others', as indirect finance, provided not less than 85 percent of total assets of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of "qualifying assets". In addition, aggregate amount of loan, extended for income generating activity, should be not less than 50 percent of the total loans given by MFIs. "Qualifying asset" shall mean a loan disbursed by MFI, which satisfies the following criteria:

_ The household annual income of the borrower in rural areas does not exceed `1 lakh while for non-rural areas it should not exceed `1.60 lakh.

_ Loan does not exceed `60,000/- in the first cycle and `1 lakh in the subsequent cycles. Tenure of loan is not less than 24 months when loan amount exceeds `15000/- with right to borrower of prepayment without penalty.

_ Total indebtedness of the borrower does not exceed `1 lakh.

_ The margin cap should not exceed 10 percent for MFIs having loan portfolio exceeding `100 crore and 12 percent for others. With effect from April 1, 2014, interest rate on individual loans will be the average Base Rate of five largest commercial banks by assets multiplied by 2.75 per annum or cost of funds plus margin cap, whichever is less.

The banks should obtain from MFI, at the end of each quarter, a Chartered Accountant's Certificate stating, inter-alia, that the criteria on qualifying assets, the aggregate amount of loan, extended for income generation activity, and pricing guidelines are followed.

Factoring - Reserve Bank has included factoring transactions under priority sector lending with an aim to increase cash flow to small and medium enterprises. Factoring

transactions on 'with recourse' basis shall be eligible for priority sector classification. Factoring is a type of financial transaction and debtor finance in which a business sells its invoices to a third party, called a factor, at a discount. TReDS is an exchange-based trading platform to facilitate financing of bills raised by such small entities to corporate and other buyers, including government departments and PSUs, by way of discounting. Factoring through TReDS shall also be eligible for classification under priority sector upon operationalisation of the platform.

Differential Rate of Interest Scheme (DRI): The target stipulated for lending under DRI scheme is 1% of previous year total advances of the Bank. The existing loan limit is increased from `6500/- to `15000/- and the housing loan limit is also increased from `5000/- to `20000/-. The borrower's family income eligibility criteria is revised to `18000/- & `24000/- p.a. for Rural & Semi-Urban/Urban areas respectively. The interest rate on DRI loans is 4% p.a. simple interest at half-yearly rests. At least two third of DRI advances should be granted through rural/semi-urban branches. 40% of DRI advances should go to SC/ST. 2/3rd of total DRI lending is to be routed through Rural and Semi Urban branches. Branches can assist the handicapped/disabled persons for acquiring aids, appliances and equipment needed especially by students for pursuing studies and vocational training – example Braille Typewriters for blind etc.

Classification of Farmers

Category Irrigated Land Holding Un-irrigated Land Holding

Marginal 1.25 Acres Or 2.5 Acres

Small 2.50 Acres Or 5.0 Acres

Others Above 2.50 Acres Or Above 5 Acres

Credit flow to SC/ST

Scheme Reservation / Relaxation

DRI 40% of Advances. Land holding criteria is not applicable

SGSY 50% of the families assisted

SJSRY Credit to be extended to the extent of their strength in the local

PMEGP p2o2p.5u0la%ti oonf Advances. Age relaxation – 10 Years

Adjusted Net Bank Credit (ANBC): This concept is applicable to Scheduled Commercial banks, Urban Cooperative Banks and Small Finance Banks. Hitherto, Priority Sector Lending (PSL) being a percentage of total credit which was not getting truly reflected for various reasons and hence the, the concept of ANBC has been introduced. The spirit of the concept is to calculate the total credit as on close of business of preceding year in a non-discriminatory way so that the banks are neither unduly benefitted nor adversely penalized. The ANBC is arrived at in a judicious manner by reducing the quantum of total credit whenever banks did not part with their own funds and by increasing the same by the quantum of credit which should have formed part of the credit but had gone to other avenues. The computation of ANBC = Total credit minus Bills discounted with RBI and other approved financial institutions plus Bonds/Debentures in Non-SLR categories under HTM category + other investments eligible to be treated as PSL + outstanding deposits under RIDF and other eligible funds with NABARD, NHB, SIDBI and Mudra Limited on account of priority sector shortfall + outstanding PSLCs Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE): Some banks business models allow them to focus less on credit and more on Off-balance sheet items such as Letter of Credit, Bank Guarantees, Derivatives, etc. In such cases, PSL, if calculated on ANBC would be less as off-balance sheet items do not form part of credit. Hence, PSL in such cases will be computed as a percentage of CEOBE so that the quantum of PSL does not become casuality

Priority Sector – Targets & Sub-targets	
Category	Domestic commercial banks and Foreign Banks with 20 branches and above
Priority Sector	40 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher.
Agriculture	18 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher. Within the 18%, a target of 8% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small and Marginal farmers, to be achieved in a phased manner i.e. 7% by March 2016 and 8% by March 2017.
Micro enterprises	7.5% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher to be achieved in a phased manner by March 2017.
Export credit	Incremental export credit over corresponding date of the preceding year, up to 2 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, effective from April 1, 2015 subject to a sanctioned limit of ₹25 crore per borrower to units having turnover of up to ₹100 crore.
Weaker sections	10 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.
Differential Rate of Interest Scheme	1 per cent of total advances outstanding as at the end of the previous year. It should be ensured that not less than 40 per cent of the total advances granted under DRI scheme go to SC/ST. At least two third of DRI advances should be granted through rural and semi-urban branches.

ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher. The additional priority sector lending target of 2% has to be achieved every year from 2016-17 and reach 40% by 2019-20. To ensure continuous flow of credit to priority sector, there will be more frequent monitoring of priority sector lending compliance of banks on 'quarterly' basis instead of annual basis as of now.

Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to RIDF established with NABARD and other Funds with NABARD/NHB/SIDBI, as decided by the Reserve Bank from time to time. Non-achievement of priority sector targets and sub-targets will be taken into account while granting regulatory clearances/approvals for various purposes.

Priority Sector Lending Certificates (PSLC): Presently, Banks which are short fall in Priority Sector (PS) lending are investing in Rural Infrastructure Development Fund (RIDF) of NABARD. However, the yield on such investments is low. To obviate the above situation, RBI introduced PSLC. The banks who have PS advances more than the stipulated norm, may issue PSLCs. The banks who contribute to these certificates can show the amounts subscribed against their PS lending. At the same time, the bank which has issued the certificate will reduce the amount from their PS advances. However, there will be no transfer of credit risk on the underlying assets. The transactions can be done through the CBS portal "e-Kuber" maintained by RBI. The standard lot size is `25 lakh and multiples thereof and the validity period is 31st March every year. This is credit positive for banks without expertise in making priority sector loans because it allows them to focus on their strengths and purchase

credits from banks with expertise in making such loans, instead of diverting their own resources towards meeting PS lending targets.

Prime Minister Employment Generation Programme (PMEGP): Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. The Scheme will be implemented by Khadi and Village Industries Commission (KVIC) and the details are as under:

Category	Project Cost		
	Borrower contribution	Subsidy	
		Urban	Rural
General	10%	15%	25%
Special (SC/ ST/OBC/Minorities/Women/ Ex-servicemen / Physically handicapped/ NER / Hill and Border areas etc.)	05%	25%	35%

business/service sector is `25 lakh & `10 lakh respectively. The balance amount, excluding Margin Money/subsidy, will be provided by Banks as term loan. Any individual above 18 years of age is eligible for the loan. Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme) are also eligible for assistance under PMEGP. Institutions registered under Societies Registration Act 1860; Production Co-operative Societies, and Charitable Trusts. However, existing Units (PMRY / REGP or any other scheme of Central / State Government) and the units that have already availed Government Subsidy (including units registered & certified khadi institutions who have availed subsidy from central/state government) are not eligible.There will be no income ceiling for assistance for projects under PMEGP. For setting up of project costing above `10 lakhs in the manufacturing sector and above `5 lakhs in the business/service sector, the beneficiaries should possess at least VIII standard pass educational qualification. Assistance is available only for new projects under the PMEGP. To claim Margin Money (Subsidy), the borrower is required to submit caste/community certificate or relevant document issued by the competent authority.

In case of institutions, a certified copy of the bye-laws is required. Project cost will include Capital Expenditure and one cycle of Working Capital. Cost of the land should not be included in the Project cost. Projects costing more than `5 lakh, which do not require working capital, need clearance from controlling office PMEGP is applicable to all new viable micro enterprises, including Village Industries projects except activities indicated in the negative list of Village Industries. Existing/old units are not eligible. Only one person from one family is eligible for obtaining financial assistance for setting up of projects under PMEGP. The 'family' includes self & spouse. No collateral security will be insisted upon for projects involving loan upto `10 lakhs in respect of the projects cleared by the Task Force. After issuance of the sanction letter by the financing branch, the beneficiary must have to undergo EDP training (at least 2 weeks) for the purpose of release of funds. The margin money (subsidy) is to be kept in Term Deposit for three years at branch level in the name of the beneficiary/Institution. No interest will be paid on the TDR and no interest will be charged on loan to the corresponding amount. Repayment schedule may range between 3 to 7 years after an initial moratorium as may be prescribed by the concerned bank/financial institution. Corporation Bank is acting as Nodal bank in implementation of PMEGP scheme in the country.

Swarnajayanti Gram Swarojgar Yojana (SGSY): It is a Scheme which is a

restructure of the erstwhile schemes like IRDP, TRYSEM, DOWCRA, SITRA, GKY & MWS etc., with the objective to bring the assisted poor rural families above poverty line. The scheme aims at establishing a large number of micro enterprises in the rural area. The identification of the borrowers will be done by Grama Sabha. Productive and viable activities under Agriculture & ISB are eligible under this scheme with 50% coverage by SC/ST, 40% coverage by women and 3% to Physically Handicapped borrowers. The size of the loan under the scheme would depend on the nature of the project. The loans under the scheme would be composite loan comprising of Term Loan and Working Capital. Subsidy admissible is @ 30% or maximum `7500/- (For SC/ST- 50% or maximum `10000) & for groups – 50% or maximum `1.25 lac (no ceiling for minor irrigation projects). For all individual loans exceeding one lakh and group loans exceeding `10 lakh, suitable margin money/other collateral security in the form of insurance policy; marketable security/deeds of other property etc. may be obtained. The repayment period – minimum of 5 years and branches should ensure that repayment not to exceed 50% of incremental income. In the event of unfortunate/untimely death of the borrower, LIC make payment of `6000/- for natural death and `12000/- for accidental death to the legal heirs of the borrower. (Cir no. 189 Ref 28/3 dated 2.8.2012) Self **Employment scheme for rehabilitation of Manual Scavengers (SRMS):**

The objective of the National Scheme for Liberation and Rehabilitation of Scavengers and their dependents is to liberate them from their existing hereditary and obnoxious occupation of manually removing night soil and filth and to provide for and engage them in alternative and dignified occupations. The Scheme would cover primarily all scavengers belonging to Scheduled Castes community. Scavengers belonging to other communities would also be covered. The scheme covers rural and urban areas and the identification will be done by Ministry of Social Welfare & National SC/ST financial development corporation. The beneficiaries are eligible for term loan up to ` 15 lakh and Micro finance up to `25000/- is allowed without any margin. The loans sanctioned under this scheme are eligible for subsidy @ 50% for the projects where the unit cost is up to ` 2 lakh and `1 lakh + 33.30% of project cost between `2 to 5 lakh; `2 lakh + 25% of project cost between 5 to 10 lakh and `3.25 lakh for projects above `10 lakh. The moratorium period for repayment of loan is maximum of 2 years. The beneficiaries are eligible for cash assistance of `40000/- payable in monthly installments of `7000/- after the identification of manual scavenger. Government provides training to the beneficiaries and pays `3000/- per month as stipend during training period. Repayment period of the loan is 5 years for the projects costing up to `5 lakh and 7 years for projects above `5 lakh. Rate of Interest – For loans up to `25000 @ 4% for women; others 5%. For loans above `25000/-, the interest rate is @ 6% p.a.

MUDRA – Micro Units Development & Refinance Agency Ltd

Under the aegis of Pradhan Mantri MUDRA Yojana, MUDRA has already created its initial products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth to look forward to :

• Shishu : covering loans upto 50,000/-

• Kishor : covering loans above 50,000/- and upto 5 lakh

• Tarun : covering loans above 5 lakh and upto 10 lakh

It would be ensured that at least 60% of the credit flows to Shishu Category Units and the balance to Kishor and Tarun Categories.

Within the framework and overall objective of development and growth of Shishu, Kishor and Tarun Units, the products being offered by MUDRA at the rollout stage have been designed to meet requirements of different sectors / business activities as well as business / entrepreneur segments. Brief particulars are as under:

• Sector / activity specific schemes

• Micro Credit Scheme (MCS)

• Refinance Scheme for Regional Rural Banks (RRBs) / Scheduled Co-operative Banks

• Mahila Uddyami Scheme

• Business Loan for Traders & Shopkeepers

• Missing Middle Credit Scheme

• Equipment Finance for Micro Units

The salient features of the schemes and innovative products, being worked upon, which will be offered by MUDRA going forward, are as below:

1 Sector / Activity Focussed Schemes

To maximize coverage of beneficiaries and tailor products to meet requirements of specific business activities, sector / activity focused schemes would be rolled out. To begin with, based on higher concentration of businesses in certain activities / sectors, schemes are being proposed for:

1.1 Land Transport Sector / Activity

Which will inter alia support units for purchase of transport vehicles for goods and personal transport such as auto rickshaw, small goods transport vehicle, 3 wheelers, e-rickshaw, passenger cars, taxis, etc.

1.2 Community, Social & Personal Service Activities

Such as saloons, beauty parlours, gymnasium, boutiques, tailoring shops, dry cleaning, cycle and motorcycle repair shop, DTP and Photocopying Facilities, Medicine Shops, Courier Agents, etc.

1.3 Food Products Sector

Support would be available for undertaking activities such as papad making, achaar making, jam / jelly making, agricultural produce preservation at rural level, sweet shops, small service food stalls and day to day catering / canteen services, cold chain vehicles, cold storages, ice making units, ice cream making units, biscuit, bread and bun making, etc.

1.4 Textile Products Sector / Activity

To provide support for undertaking activities such as handloom, powerloom, chikan work, zari and zardozi work, traditional embroidery and hand work, traditional dyeing and printing, apparel design, knitting, cotton ginning, computerized embroidery, stitching and other textile non garment products such as bags, vehicle accessories, furnishing accessories, etc.

Going forward, schemes would similarly be added for other sectors / activities as well.

2 Micro Credit Scheme

Financial support to MFIs for on lending to individuals/ groups of individuals /JLGs/ SHGs for creation of qualifying assets as per RBI guidelines towards setting up / running micro enterprises as per MSMED Act and non-farm income generating activities.

3 Missing Middle Credit Scheme

Financial support to financial intermediaries for on lending to individuals for setting up / running micro enterprises as per MSMED Act and non-farm income generating activities with beneficiary loan size of 50,000 to 10 lakh per enterprise / borrower.

4 Refinance Scheme for RRBs / Co-operative Banks

Enhancing liquidity of RRBs / Scheduled Co-operative Banks by refinancing loan extended to micro enterprises as per MSMED Act with beneficiary loan size upto 10 lakh per enterprise / borrower for manufacturing and service sector enterprises.

5 Mahila Uddyami Scheme

Timely and adequate financial support to the MFIs, for on lending to women / group of women / JLGs/ SHGs for creation of qualifying assets as per RBI guidelines towards setting up / running micro enterprises as per MSMED Act and non-farm income generating activities.

6 Business loans for Traders and Shopkeepers
Timely and adequate financial support for on lending to individuals for running their shops / trading & business activities / service enterprises and non-farm income generating activities with beneficiary loan size of upto 10 lakh per enterprise / borrower.

7 Equipment Finance Scheme for Micro Units
Timely and adequate financial support for on lending to individuals for setting up micro enterprises by purchasing necessary machinery / equipments with per beneficiary loan size of upto 10 lakh.

8 Innovative Offerings

8 (i) MUDRA Card

- Going forward, MUDRA would look at improving the offerings basket by looking at innovative ideas like a pre-loaded MUDRA Card, say with an assessed value.

- The card offering will help provide pre-approved credit line to the members by providing a card that can be utilized to purchase raw materials and components, from registered producers on an online platform.

- The card could be linked with Pradhan Mantri Jan Dhan Yojana Savings Account of the borrower and the drawals could also be enabled through the Bank's ATM network for meeting the immediate liquidity problems of the micro enterprise.

The latest design of the MUDRA card as approved by DFS, GoI is attached for ready reference. For the convenience of Banks, the latest design approved by DFS, GoI in cdr format is also attached.

8 (ii) Portfolio Credit Guarantee

- Traditional financing in Indian context adopts an Asset Based lending approach with emphasis on collaterals. Micro units, most of the times, are unable to provide the comfort of collaterals.
- To mitigate the issue of collaterals, MUDRA will be offering a Credit Guarantee Product.
- Further, given the context of the industry / segment, since the individual loan sizes would expectedly be small and number of loans will be large, the option of a Portfolio Guarantee Product will be explored. Under this option, Credit Guarantee or Risk Sharing would be provided for a portfolio of homogenous loans instead of a Scheme for individual loan - by - loan guarantee. This is expected to create administrative efficiencies and increase receptiveness for the Credit Guarantee product. The Guarantee product would be one of the key interventions proposed with the objective of bringing down the cost of funds for the end beneficiary to improve its creditworthiness.
- Further, the time has come when there is a need to move away from the asset based lending approach to other innovative approaches, say Business Idea funding Approach or cash flow based lending schemes, where there may not be underlying tangible primary assets. The comfort of primary lenders for lending to such segment would increase if credit guarantee instrument is available.

8 (iii) Creation of Resources for Credit Enhancement / Guarantee Facility

The corpus proposed for the Credit Guarantee Scheme would be regularly augmented with a charge on the outstanding loans under refinance. The same would be utilized for providing first loss guarantee / credit enhancement for securitized portfolio loans, as discussed below.

4 **Credit enhancement** : Facilities offered to cover probable losses from a pool of securitized assets in the form of credit risk cover through a letter of credit, guarantee or other assurance from the originator / co-originator or a third party to enhance investment grade in any securitization process. First loss facility is the first level of credit enhancement offered as part of the process in bringing the securities to investment grade. Second loss facility provides the second / subsequent tier of protection against potential losses.

8 (iv) Underwriting for Intermediaries

As MUDRA evolves, it will have to look for newer innovative offerings based on the cardinal principle of 'problem solving.' It is necessary that the intermediaries and last mile financiers which have the real expertise in funding the NCSB sector have access to a steady flow of long term debt capital at a reasonable cost to smoothly continue their on lending activities as also scale up sustainably. As of now, these intermediaries face significant difficulties in raising debt. There is also a need to widen the investor / lender base for such intermediaries.

Securitization would be a useful tool for such long term capital flow. However, as the market for securitization deals from the asset class of NCSB is nascent, it would first need to be nurtured and developed. MUDRA proposes to step in through interventions such as :

Providing credit enhancements : Credit enhancements by way of first loss guarantee / collateral would be provided by MUDRA for securitization pools from the NCSBS asset class to be originated by MFIs and other intermediaries. MUDRA's

support to such transactions will facilitate improvement in credit rating of such asset pools and hence securitization deal flow in the sector.

Adopting Co/ Multiple Originator Models : There would be a need to bring about cost and administrative efficiencies in securitization transactions. Further, as the loan sizes are small, many smaller intermediaries may not be able to provide by themselves a threshold size of assets for securitization. To address such issues, the multiple originator model would be encouraged whereby asset pools of more than one originator / intermediary could be bundled for securitization.

MUDRA will build on experiences of some of the existing players who have demonstrated ability to cater to the NCSB segment. Models developed in the industry would be looked at for adaptation. Being an apex agency with whom intermediaries would be registered / availing refinance from, MUDRA would be well placed to play an effective role in helping crystallize such securitization deals under multiple originator models.

Similar other interventions for market making and creation of the right ecosystem would be taken up by MUDRA.

8 (v) Business / Banking Correspondent Model

- To capitalize on expertise in lending and collections [which is often segment / region specific] developed by intermediaries / last mile financiers in the small / informal business segment as also to meet their capital requirements, a product for lending through the Business / Banking Correspondent Model is envisaged.

MUDRA Offerings- Addressing the Non-Credit Gaps

Besides the credit constraints, the NCSBs face many non-credit challenges, like,

• Skill Development Gaps

• Knowledge Gaps

• Information Asymmetry

• Financial Literacy

• Lack of growth orientation

To address these constraints, MUDRA will have to adopt a credit- plus approach and offer Developmental and Support services to the target audience. It will have to act as a market maker and build –up an ecosystem with capacities to deliver value in an efficient and sustainable manner.

Supporting Financial Literacy

Financial literacy or financial education can broadly be defined as 'providing familiarity with and understanding of financial market products, especially rewards and risks, in order to make informed choices.'

Financial Inclusion and Financial Literacy are twin pillars. While Financial Inclusion acts from supply side providing the financial market / services that people demand, Financial Literacy stimulates the demand side – making people aware of what they can demand. Supporting the financial literacy drive will contribute substantially from the demand side to the national agenda of financial inclusion.

LOANS AND ADVANCES INCLUDING BALANCE SHEET ANALYSIS:::

1. ˜Credit Rating Agencies in India are regulated by: RBI
2. ˜CRISIL stands for: Credit Rating Information Services of India Ltd.
3. ˜Deferred Payment Guarantee is : Guarantee issued when payment by applicant of guarantee is to be made in installments over a period of time.
4. ˜If Break Even Point is high, it can be construed that the margin of safety is ____: Low.
5. ˜Long Term uses – 12; total Assets – 30; Long Term source 16; What is net working capital : 4
6. ˜On which one of the following assets, depreciation is applied on Straight line method: Computers.
7. ˜Projected Turnover is Rs.400 lacs, margin by promoter is Rs. 20 lacs. What is maximum bank
finance as per Annual Projected Turnover method: 80 lakhs.
8. ˜Rohit was a loanee of the branch and news has come that he has expired. On enquiry, it was observed that he left some assets. Upto what extent the legal heirs are liable to the Bank? Legal heirs are liable for the liabilities upto the assets inherited by them.
9. ˜The appraisal of Deferred Payment Guarantee is same as that of a) Demand Loan b) OD c) Term Loan d) CC : Term Loan.
10. A cash credit account will be treated as NPA if the CC limit is not renewed within ___days from the due date of renewal: 180 days.
11. A director of a bank wants to raise loan of Rs 10 lakh from his bank against Life Insurance Policy with surrender value of more than Rs 15 lakh. What will be done?: Bank can sanction.
12. A firm is allowed a limit of Rs.1.40 lac at 30% margin. It wants to avail the limit fully. How much will be the value of security : Rs.2 lac
13. A guarantee issued for a series of transactions is called: Continuing guarantee
14. A lady who has taken a demand loan against FD come to the branch and wants to add name of her minor son, as joint a/c holder. What you will do?: Name can be added only after adjustment of the loan.
15. A letter of credit which is issued on request of the beneficiary in favour of his supplier: Back to Back LC
16. A loan is given by the bank on hypothecation of stock to Mr. A. Bank receives seizure order from State Govt. What should bank do?: Bank will first adjust its dues and surplus if any wilt be shared with the Govt.
17. A loan was sanctioned against a vacant land. Subsequently a house was constructed at the site. What security is available now to the bank? : Both
18. A minor was given loan. On attaining majority he acknowledges having taken loan and promises to pay. Whether the loan can be recovered? : He can not ratify the contract. Hence recovery not possible.
19. A negotiating bank and issuing bank are allowed days each for scrutiny of documents drawn under Letter of credit to ensure that documents are as per LC: 5 banking days each.

20. Age limit staff housing loan: 70 years;
21. An L/C is expiring on 10.05.2008. A commotion takes place in the area and bank could not open. Under these circumstances can the LC be negotiated?: The L/C can not be negotiated because expiry date of LC can not be extended if banks are closed for reasons beyond their control.
22. As per internal policy of certain banks, the net worth of a firm does not include: a. Paid up capital b. Free Reserve c. Share Premium d. Equity received from Foreign Investor : Revaluation Reserves
23. Authorised capital is Rs.10 lac. Paid up capital Rs.6 lac. The loss of previous year is Rs.1 lac. Loss in current year is Rs3 _ lac. The tangible net worth is : Rs.2 lac
24. Authorised capital= 10 lac, paid-up capital = 60%, loss during current year = 50000, loss last year = 2 lacs, what is the tangible net worth of the company? : 3.5 lac
25. Bailment of goods by a person to another person, to secure a loan is called : Pledge
26. Balance outstanding in a CC limit is Rs.9 lakh. Value of stock is Rs.5 lakhs. It is in doubtfUl for more than two years as on 31 March 2012. What is the amount of provision to be made on 31-03-2013?: Rs.9 lakhs (100% of liability as account is doubtful for more than 3 years)
27. Balance Sheet of a firm indicates which of the following – Balance Sheet indicates what a firm owes and what a firm owns as on a particular date.
28. Bank limit for working capital based on turn over method: 20% of the projected sales turnover accepted by Banks
29. Banks are required to declare their financial results quarterly as per provisions of : SEBI
30. Banks are required to maintain -a margin of ___ for issuing Guarantee favouring stock exchange on behalf of share Brokers.
31. Banks are required to obtain audited financial papers from non corporate borrowers for granting working capital limit of: Rs.25 lakh &above
32. Banks provide term loans and deferred payment guarantee to finance capital assets like plant and machinery. What is the difference between these two: Outlay of funds.
33. Benchmark Current Ratio under turn over method is: 1.25
34. Break Even Point: No profit no loss. (TR-TC=Zero)
35. Calculate Debt Equity ratio – Debenture – Rs 200, capital 50; reserves – 80; P& L account credit balance – Rs 20: 4: 3 (200 divided by 150).
36. Calculate Net working capital– Total assets 1000; Long Term liabilities 400; Fixed assets, Intangible assets and Non current assets (i.e. long term uses) Rs 350; What is net working capital : 400- 350= Rs 50
37. Calculate Tangible Net Worth: Land and building: 200 Lacs; Capital:80000 intangible asset:15000: 65,000
38. CALCULATION OF INTEREST IN LOAN ACCOUNT: MONTHLY
39. CARE stands for : Credit Analysis & Research Ltd
40. Cash Budget method is used for sanctioning working capital limits to : Seasonal Industries
41. CC limit Rs 4 lacs. Stock 6 lacs. Margin 25% . What is drawing power? : NOTIONAL - 4.5 lacs, BUT ACTUAL Rs. 4 LAC.
42. Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI) is a government company licensed under Section 25 of the Companies Act, has been incorporated to operate and maintain the Central Registry under the provisions of _____: SARFAESI Act 2002.
43. CIBIL is the agency that provides information to the member banks on (i) Credit Rating (ii) Information on credit History: Information on Credit History of borrowers
44. Contribution means : profit + fixed cost
45. Current Assets 600, Long Term sources - 600, Total Assests1000, what is NWC and Current Ratio: CR 1.5 : 1; NWC = 200 .
46. Current Liabilities are those liabilities which are to be paid: within one Year
47. Current Ratio = 2:1, Net working Capital=60000, What is the Current Liability of

the firm? : 60000
48. Current ratio indicates: Liquidity of the firm (ability of a firm to pay current liabilities in time)
49. Current Ratio is 1.33:1, Current Assets is 100, what will be the amount of Current Liability: 75 lakhs Compiled by Sanjay Kumar Trivedy, Divisional Manager, Canara Bank, Govt.
50. Debt Equity Ratio indicates: Long term solvency or capital structure of the firm.
51. Debt Securitization refers to: Conversion of receivables into debt instruments.
52. Debt Service coverage ratio is used for: Sanction of Term Loans
53. Deferred Payment guarantee is: Financial Guarantee
54. Deferred payment guarantee issued by a bank is a : Contingent Liability.
55. Difference between Long Term Source and Long Term Use is called: Net Working capital.
56. DSCR indicates: Ability of firm to repay term loan instalments
57. DSCR is for evaluating: Term Loan repayment-surplus generating capacity.
58. Duty of confirming bank: Only to verify the genuineness of L/C.
59. Equitable Mortgage is created by deposit of title deeds with bank at – (a) any where in India; (b) state capital; (c) only at Mumbai, Chennai or Kolkatta; (d) Any place notified by state government for this
purpose: Correct answer is (d).
60. Excess of current liability over current assets means the firm may face difficulties in meeting its financial obligations in short term.
61. Expand CRILC: Central Repository of Information on large credits.
62. Expand IRR : Internal Rate of Return
63. Finance for construction of road and port is classified as: Infrastructure Finance.
64. For ascertaining that a firm will be able to generate sufficient profit to repay instalments of term loan, which ratio is computed?: Debt Service Coverage Ratio
65. For assessing Fund Based Working Capital limit for MSME upto _______Turnover method is followed under Nayak committee: Rs.5 crore.
66. For classification of assets in consortium accounts, which of the following is to be considered?: In consortium accounts, each bank will classify the account as per its record of recovery.
67. For Takeover of accounts from other Banks, the account copies of all the borrower accounts with the present bankers / financial institution shall be obtained at least for the last ______: 12 months.
68. Formation of consortium, when essential : When bank touches its exposure ceiling
69. Full form of DSCR: Debt Service coverage ratio;
70. Gold is pledged with bank as security for a Bank Guarantee by a borrower. Bank Guarantee stands expired. Whether a temporary overdraft availed by the borrower which is overdue can be got adjusted by selling the Gold held as security for issue of guarantee: Yes, because Bankers lien is a general lien and is an implied pledge. Further, the Gold was deposited in the ordinary course of business.
71. Green field project is related to : setting up new projects
72. Guarantee issued by a bank in favour of Custom department that party will fulfill export obligation for availing exemption from custom duty regarding tax. Such guarantee is called: Financial Guarantee
73. Guarantee issued by a bank which is still outstanding is shown in the Balance Sheet as: Contingent Liability.
74. Guarantors Liability: Recall the a/c and cause demand against the borrower and guarantor. Balance in guarantor's SB a/c cannot be appropriated directly.
75. Holiday period given for repayment of installements in a loan is termed as: Moratorium period
76. How DSCR is calculated?: (Profitafter tax + Depreciation + Interest on Term Loan) divided by (Annual instalment of term loan+ interest on term loan)
77. How much additional risk weight has been provided on restructured loans?: 25%
78. Hypothecation can be converted to pledge by: taking possession with the consent

of the borrower.
79. Hypothecation described under SARFEASI Act.
80. If a businessman start a business with a Capital investment of Rs.3,00,000/- and withdraw Rs.25,000/- later. If Net Profit is Rs.1,20,000/- and income tax paid thereon is Rs.30,000/-, what is the position of capital account (net worth) at the end of the year – 395000; 365000; 360000; nil: Rs.3,65,000/-
81. If a LC contains a clause "about" regarding the amount and quantity of goods, how much tolerance is permitted?: 10%
82. If current ratio is 2:1, net working capital is Rs 20,000, current asset will be: Rs 40,000
83. If debtors are Rs 4 lac, annual sale is 60 lac, what is the Debt collection period: 0.8 months
84. If Debtors velocity ratio increases, it means debt collection period has increased or sales have decreased.
85. If documents are to be presented in about July month: these can be presented within 5 days before or 5 days after.
86. If in a Guarantee issued is silent, what will be the limitation period: 3 yrs and in case of Govt guarantee it is 30 years.
87. If in a LC words around is written with date then variation of is allowed in the period: +/- 5 calendar days
88. If limit is 3 lacs, margin is 25% what should be stock to avail full limit?: Rs4 lac
89. If on a letter of credit it is not mentioned whether it is revocable or irrevocable, then as UCPDC 600, it will be treated as : Irrevocable LC
90. If on a Letter of Credit, date is mentioned as "end of the month", then as per UCPDC 600, it will mean: 21st to last day of the month.
91. If stock statement is not submitted for 3 months from its due date and DP is allowed on the basis of old stock report, then the account will be considered NPA after:90 days
92. If the projected sale of a-small (manufacturing) enterprise is Rs 80 lakh, margin available with the borrower is Rs 4 lakh, then as per turnover method, working capital limit will be: Rs 16 lakh.
93. If working capital limit to a borrower is Rs 10 crore and above, then as per RBI guidelines, the loan component should be at least: as per bank's discretion.(earlier it used to be 80%).
94. In a company, the registration of charges is required for: a)loan against FD b)lien on Govt Securities c) assignment of Book Debts d) lien on Shares : Book Debts
95. In A current account OD of Rs. 12000 is made. The FDR has become due later on if the right of appropriation can be used. The borrower has objected that he never requested for overdraft, hence payment can not be appropriated. The customer is right.
96. In a letter of credit, it is written that documents can be negotiated about 30th June. In this case, the documents can be negotiated: Before or after 5 clays of 30th June.
97. In case of a loan under consortium, each bank can have Maximum working capital limit of Rs-No rule in this regard. Rules of consortium to be framed by members of consortium.
98. In case of loan given by more than one bank under a consortium, how the asset classification is done by various banks?: Each bank will classify the account based on its record of recovery.
99. In case of revaluation of fixed assets, what percentage of revaluation reserve will be added to Tier II capital of the bank?: 45%
100. In Letter Of Credit jmporter is called: Opener of Letter of Credit
101. In project finance, Debt Equity Ratio requirement for other than Infrastructure finance is: 2:1
102. In respect of a project report, the feasibility which is given least importance by the preparers of the report, but very important for a banker is : a) Commercial b) Technical c) economic d) financial Ans: C
103. In the Balance Sheet of a bank, Contingent Liabilities are shown as: footnote to

the Balance Sheet.
104. In the case of advance to a limited company for purchase of vehicle, the charge is registered with Regional Transport Authority in addition to registration of charge with. Registrar of Companies. Why this is done?:So that borrower can not sell the vehicle without intimation to the bank
105. Interest rate on advances is related to – Bank rate; Base Rate; PLR: MCLR Rate
106. Limit sanctioned Rs 5 lac; Stock Rs 6 lac; Margin 25%; What will be Drawing power: Rs 4.5 lac
107. Loan Delivery System is not applicable to: a) Loan to Soft ware industry b) export credit: export credit
108. Loan Delivery System suggested by Rashid Mani Committee is applicable on borrowers with working
capital limits of: Rs 10 crore and above
109. Loan is in the name of A&B. Both have signed documents. A signs the Balance Confirmation but B does not. In this case limitation will extend against: both
110. Lorry Receipts issued by Transport Operators approved by IBA are preferred. The reason is the
Transport Operators will take care of: Carriers Risk.
111. Stand by LC is just like : Financial guarantee (A guarantee of payment issued by a bank on behalf of a client that is used as "payment of last resort" should the client fail to fulfill a contractual commitment with a third party. Standby letters of credit are created as a sign of good faith in business transactions, and are proof of a buyer's credit quality and repayment abilities)
112. Standard Score under CIBIL: 300 to 900
113. Stock Audit is required in respect of loans of : Rs.1.00 crore & above
114. Subordinate Debt is shown as part of in the Balance Sheet of a bank: Other Liabilities and Provisions
115. Tangible Net Worth (TNW) is calculated as: Total paid up capital + Reserves – Intangible Assets.
116. The appraisal of deferred payment guarantee is similar to term loan: The difference is outlay of funds.
117. THE APPRAISAL OF DEFERRED PAYMENT GUARANTEE IS SIMILAR TO: TERM LOAN
118. The Audited Balance sheet for the latest financial year is to be obtained within ______ to finalise
credit rating and re-fix interest accordingly: 6 months.
119. The Bank did not disclose all material facts regarding loan to the guarantor while obtaining guarantee. Can guarantor escape liability?: Guarantor cannot escape from his liability as it is not necessary to disclose all the materials facts with regards to the loan.
120. The Borrower has to bring funds as his contribution for loan from: Long term Sources
121. The charge on stocks is created by: Hypothecation (also by pledge or lien)
122. The concept of Base Rate is not applicable in the case of: Loan against Bank's own deposit
123. The limitations of financial statements are : only quantitative not qualitative.
124. The long term liability to tangible net worth ratio implies : Long term solvency of the firm .
125. The main distinction between Hypothecation and Pledge is on accountof : Possession
126. The Meaning of Debtor Velocity Ratio is: Cycle of Debt Collection Period
127. The procedure used for ascertaining Customers Credit worth is called: Credit Rating
128. Time Limit for registration of equitable mortgage with CERSAI: 30 days from date of deposit of title deeds. (Normally 30days and then delay can be condoned up to 30days on payment of penalty).
129. To improve Current Ratio of 2:1, what has to be done? a) Recover cash from

Receivables b) Cash sales c) Decrease the Bills payables.
130. Total Indebtedness Ratio is represented by: Total outside liabilities divided by Tangible Net Worth
131. What is "pari passu" means: Sharing in the ratio of outstanding.
132. What is a Break even point-The level of sales at which a firm does not earn any profit and does not incur any loss.
133. What is cash loss : net loss before depreciation (Net loss minus depreciation)
134. What is Deffered Payment Guarantee?: Guarantee issued when payment by applicant of guarantee is to be made in instalments over a period of time.
135. What is Mortgage? Transfer of interest in specific immovable property to secure an existing or future debt.
136. What is nature of Banker's Lien?: It is implied pledge because Banker can dispose-off the goods after giving notice to the borrower.
137. What is Pari Passu charge?: In case of consortium advance sale proceeds of security will be shared among banks in proportion to their outstanding.
138. What is Real Rate of Interest?: Prevailing interest rate minus inflation rate
139. What is the meaning of Group in Exposure Norms: Commonality of management & Effective Control
140. What is the relationship between bank and customers in case of overdraft?: Creditor and Debtor
141. What is the risk weight for Personal Loans? 125%
142. What is the risk weight for Unrated companies?: 100%
143. What is the type of liability for the bank on account of issue of Bank Guarantee?: Contingent Liability
144. What type of bank gaurentee bank gives when a customer purchases a machine on instalment basis?:
Deferred Payment guarantee.
145. What type of Guarantee is Deffered Payment Guarantee: Financial Guarantee
146. What type of liability is represented by Bank Guarantee?: Contingent Liability and shown as a footnote in the Balance Sheet.
147. What will be the tangible net worth if total assets are Rs 35 crore; total outside liability Rs 30 crore; intangible assets Rs 3 crore: Rs 2 crore
148. What will happen in case of negative working capital limit: Current Liabilities are more than Current Assets
149. Which is not a Credit Rating Agency – CRISIL, CARE, SMERA, ICRA, CIBIL: CIBIL
150. Which is not found in operating expenses statement of P&L statement - Salaries, Rent, Power: Power
151. Which is not included in Contingent liability – Bank Guarantee; Letter of Credit; Forward Contract; Bills Payable: Bills payable
152. Which of the following is a contingent liability – deposits, borrowings, capital, guarantee: Bank Guarantee
153. Which of the following is a Credit Information company – CIBIL, FIMDA, AMFI, CRISIL: CRISIL
154. Which of the following is part of the Solvency Ratios: debt equity ratio.
155. Which of the following represent Debt Service Coverage Ratio: (Net Profit after tax + Depreciation + Interest on Term loan) divided by (Annual instalment of term loan + interest on term loan)
156. Which of the items will not be an asset in banks bal sheet: Advances/Fixed Asset / Deposits : Deposits
157. Which one of following is credit information company?: Equifax
158. Which system replaced Benchmark Prime Lending rate in banks: Base Rate
159. While arriving Drawing Power for financing against book debts, only Book Debts _____and below are to be taken in to consideration. (other than MSME advances): 90 days
160. While doing Project Appraisal, sensitivity analysis is useful for: Viability and sustainability of project.

161. While financing for TL, Bank should look for the ability of the firm to generate the income to service the debt

162. While granting loans to a partnership, banks generally insist that the firm should be registered whereas registration of a partnership firm is optional. What is the reason for the same?: An unregistered firm can not sue its debtors for recovery of its dues whereas other can sue the firm for recovery of their dues

163. While undertaking technical appraisal, the following is not considered: cost of production and sales (it is used for economic viability).

164. Who is bound to file particulars of charge with the Registrar of Companies under MCA 21, when a company creates charge of somebody on its movable or immovable property except by way of pledge?: officials of the company.

165. Why banks do not grant loan to a minor?: A minor is not competent to contract Therefore, Ioan given to a minor can not be recovered.

166. Why banks ensure that charge created on any asset of the company should be registered with ROC within stipulated period?: If charge is not registered, bank will become unsecured creditor.

167. Why banks prefer financing of bills?: because the advance is self liquidating

168. Why fund flow statement is taken from the borrower?: To know sources from where funds have been raised and how funds have been utilized and to know changes in net working capital position.

169. Why loan against Partly Paid Shares are not preferred by banks?: Because partly paid shares represent contingent liability. In case company makes demand and the borrower does not pay the amount then the bank will have to pay the amount otherwise share may be forfeited. Moreover it is prohibited by RBI

170. Working capital requirement of a firm is required to be met through : Short term sources and surplus of long term sources over long term uses

ABBREVIATIONS::

ACWW: Associated Country Women of the World

AIC: Agro Industries Corporation

ANC: Ancillary Undertakings

APTDC: A. P. Technology Development Centre (CII)

ASBA :Alliance of Small Business Associations in the USA

ASI: Annual Survey of Industries

ASSOCHAM Association of Chambers of Commerce and Industry

AWEK Association of Women Entrepreneurs of Karnataka

BDS Business Development Services

CAR Common Annual Return

CDCC Central Documentation and Clearance Centre

CDR Corporate Debt Restructuring

CGTMSE: Credit Guarantee Fund Trust for Micro and Small Enterprises

CGTSI Credit Guarantee Trust for Small Industries

CII Confederation of Indian Industry

CITD Centre for International Trade in Agriculture and Agro-based Industries, New Delhi

COSIA Chamber of Small Industry Associations

CRM Customer Relationship Management

CWEI Consortium of Women Entrepreneurs in India

CWEI Consortium of Women Entrepreneurs of India

DIC District Industries Centre

DICGC Deposit Insurance & Credit Guarantee Corporation

DRT Debt Recovery Tribunal

DWCRA Development of Women and Children in Rural Areas

EDIT Entrepreneurship Development Institute of India

EOU Export Oriented Units

EU European Union

EXIM BankExport Import Bank of India

FAPCCI Federation of Andhra Pradesh Chambers of Commerce and Industry

FAPSIA Federation of Andhra Pradesh Small Industries Association

FASII Federation of Associations of Small Industries of India

FDI Foreign Direct Investment

FICCI Federation of Indian Chambers of Commerce and Industry

FISME Federation of Indian Micro & Small and Medium Enterprises

FISME Federation of Indian Small & Medium Enterprises

FIWE Federation of Indian Women Entrepreneurs

FOSMI Federation of Small & Medium Industries

GATT General Agreement on Trade and Tariff

Gol Government of India

HUDCO Housing & Urban Development Corporation

HUF Hindu Undivided Family

ICSI Indian Council of Small Industry

ICWE India Council of Women Entrepreneurs, New Delhi

IDLSS Integrated Development of Leather Sector Scheme

IIA Indian Industries Association

IIC Industrial Infrastructure Corporation

IIE Indian Institute of Entrepreneurship, Guwahati

IRAC Income Recognition and Asset Classification

ISEC Interest Subsidy Eligibility Certification

JHF Joint Hindu Family

KVIC Khadi & Village Industries Commission

LLP Limited Liability Partnership

MFA Multi-Fibre Arrangement

MSE-CDP Micro & Small Enterprises Cluster Development Programme

MSMED Micro Small and Medium Enterprises Development

NABARD National Bank for Agriculture and Rural Development

NAYE National Alliance of Young Entrepreneurs

NGO Non-Governmental Organization

NIC National Industrial Classification

NIESBUD National Institute for Entrepreneurship and Small Business Development,Noida

NIMSME National Institute for Micro, Small and Medium Enterprises

NISBET National Institute of Small Business Extension Training

NMCP National Manufacturing Competitiveness Programme

NPA Non-Performing Asset

NPV Net Present Value

NRY Nehru Rojgar Yojna

NSIC National Small Industries Corporation

OECD Organisation for Economic Co-operation and Development

OGL Open General License

OTS One Time Settlement

PACS Primary Agricultural Cooperative Credit Society

PCB Pollution Control Board

PMEGP Prime Minister's Employment Generation Programme

PPP Public Private Participation

PRF Portfolio Risk Fund

PRODIP Product Development, Design Intervention and Packaging

QRs Quantitative Restrictions

RBI Reserve Bank of India

RGUMY Rajiv Gandhi Udyami Mitra Yojana

SEZ Special Economic Zone

SFC State Financial Corporation

SFURTI Scheme of Fund for Regeneration of Traditional Industries

SHG Self Help Group

SIDBI Small Industries Development Bank of India

SIDC State Industrial Development Corporation

SIDO Small Industries Development Organisation

SIIC State Industries Investment Corporation

SMERA Small & Medium Enterprises Rating Agency of India Ltd.

SMEs Small and Medium Enterprises

SNDP State Net Domestic Product

SPV Special Purpose Vehicle

SSIDC State Small Industries Development Corporation

SSSBE Small Scale Service and Business (industry-related) Enterprises

TANSTIA Tamil Nadu Small and Tiny Industries Association

TCO Technical Consultancy Organisation

TREAD Trade Related Entrepreneurship Assistance and Development

TRIPs Trade-Related Intellectual Property Rights

TRYSEM Training for Rural Youth for Self Employment

TUFS Technical Upgradation Fund Scheme

WE Town and Village Enterprises

UNIDO United Nations Industrial Development Organization

VAT Value Added Tax

WASME World Association for Small and Medium Enterprises

WASME World Association of Small and Medium Enterprises

WAWE World Association of Women Entrepreneurs

WE Women Enterprises

WTO World Trade Organisation

July 15 2018 asked questions in msme exam:Recollected

ITCOT Based in ?

Tile industry cluster Mangalore disappeared due to?

FIWE h/q ?

SSIDC Registered under?

WTO Set up in?

Net rating agency for small industry?

Numerical questions:

1. Working capital turnover ratio 5

Current ratio 2:1

Current assets 30lakh

Profit is 6% of sale find net profit?

2. Net profit 40 lakh, dep 10 lakh, int on term loan 10lakh and DSCR IS 2 FIND INSTALMENT OF TERM LOAN?

3. CURRENT ratio 2.7:1

DEAR 0.6:1 What is interpretations in business?

4. Current ratio 2:1 current assets 60lakh, total liabilities 110 lakh term loan 35 lakh , find net worth?

5.NPA provisioning

6.SARFASEI

7.NIESBUD

8.Reservation items of MSME

9. Kishore,tarun,shishu

10.Small and medium enterprises investment in plant and machinery

MSME:

*maximum shareholders in a private company from according to 2013 Act-200

* SARFAESI act enacted year-2002

*UNIDO implemented a development initiative in the knitwear cluster-Ludhiana

*Red clause LC -buyer is extending an unsecured loan to the seller

*Non fund based facilities- deffered payment guarantee

*Options for financing MSME- equity, venture capital, Angele fund

*Hybrid capital refers to combination of -equity and debt

Some of the recollected questions MSME 15072018

Deadline for Basel 3 implementation in India

Basel 3 aim to promote resilient banking parameters namely ?

CRM is ----- approach

Limits for mudra loan in shishi kishor tarun

One question on OTS scheme

Rehabilitation package for potentially viable units within-- month

Composite loan amt ?

SARAFAESI act enacted in which year

Banning industries which not having scope is the role of ?

2question on internal and external causes of sickness

1 question on symptoms of sickness

Steps in cluster devp project

Example if diffusion effect of tech ...Change

Msme credit process - 5 stages

1 question on fund based non fund based guarantee

Objective of FIWE

ISO 9000 credit reimbursement amt

Forei investment outside the automatic route clearance has to be obtained from - FIPB

2 questions on no of directors and members in private public Ltd co

MSME recollected questions
1. Micro, small & medium sector
2. Priority sector classification (esp foreign banks less than 20 branches etc)
3. One sum on calculation of NWC
4. CLUSTER development features
5. TIFAC full form, CODISSIA located at?
6. Mahila schemes implemented by SIDBI
7. Which are NOT included under plant & machinery
8. HUF, LLP questions on minor admissibility
9. Common seal compulsory for companies/LLP
10. GRAY sick area
11. Ots implemented by? - individual banks
12. Highest investment by overseas investors is under which sectors
13. Study report Of DIC recommendations

MSME todays recollected questions 03.11.2018
*Fiwe headquarters?
*Sarfaesi act in the year?
*Mudra is being regulated by?
*Qns from shishu,kishore,tarun limits?
*WTO in the year?
*One time settlement is under the control of?
*Loss asset?
*Penal measures for wilful defaulters?
*Potentialy viable?
*Symptoms of incipient sickness?
*Qns.from internal and external causes of sickness?
*When an enterprise is considered as sick ?
*Rehabilitation package within 6 months?
*SEEDA as an enterprise hub network party to assist in n/w ing btwn firms?
*ITCOT in ..tamilnadu?
*Number of stages of credit process?
*A problem from clcss subsidy calculation?

*TUF sponsored by ministry of textiles?
*Diffusion effect?
*Credit rating for small industries being provided by?
*Qns from debt equity ratio and debt service coverage ratio?
*Impact of lower break even point... adequate margin of safety?
*Working capital gap?
Important C in 5C's of management appraisal?
*Back to back LC?
*Red clause LC ....extending an unsecured credit to the seller?
*Preshipment advance?
*Qns from bank guarantee types?
*Composite loan limit?
*Mahila vikas nidhi?
*Alternative sources of capital...angel,venture etc?
*Iso 9000 reimbursement?
*Disposal of loan application time limit with amount?

MSME recollected on 15 September 2018

question of msme certificate exam 15/09/2018 on memory based
1.composite loan
2. Current ratio
3.debt equity ratio
4.wto established
6.shareholder of public Limited company
7.Limited liability company

4.minor partner
9.Basel3
10.Npa doubt full assets
11.Msme act 2006
12.dscr ratio
13.working capital gap
14.gross profit Ratio
15.back to back lc
16.preshipment
17.women enterprinure
18.How many culstor
19.techinical viability
20.ssi comes in which act
21.mudra loan maximum
22.msme collateral free loan
24.Mudra Tarun loan
25.medium enterprises Amount in manufacturing unit
26.same small enterprises
27.performance guarantee
28.deferred payments guarantee
29.Loan Appraisal application
30.how many stages of msme
31.sick industry period
32.hand holding company
33.director of public Limited company
34.Cgtmse on 100 lakh
35.Smera credit rating
36.msme based on which credit rating
37.Otms by
38.Sarface comes
39.sarface works
40.Iso90001

41.cluster stage

question of msme certificate exam 15/09/2018 on memory based

1.composite loan
2. Current ratio
3.debt equity ratio
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24.Mudra Tarun loan
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31.sick industry period
32.hand holding company
33.director of public Limited company
34.Cgtmse on 100 lakh
35.Smera credit rating
36.msme based on which credit rating
37.Otms by
38.Sarface comes
39.sarface works
40.Iso90001
41.cluster stage

Posted by Niranjan Kumar

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